

The Housing Development Process

Building housing is a complex undertaking that includes many stages most people are not aware of. Depending on where a development is located, it can take 7-10 years for a large housing project to be completed. The following steps share a high-level overview of the housing development process meant to share more information and activities to build housing.

Step 1: Development Strategy

Most communities have multiple housing needs. A development strategy will identify key questions and provide the information necessary to assess how appropriate a site would be for a certain type of project. This phase usually includes an analysis of existing projects and answers questions like, “Who in the community needs housing?” or “What types of housing is needed in this community?”

	47 Sheridan Road	25 Chiles Avenue	32 Duke Street	23 Chiles Avenue	1 Plymouth Circle
					
Status	U	U	C	C	C
List Price	\$445,000	\$585,000	\$424,900	\$457,500	\$550,000
List\$ SqFt	\$263	\$245	\$265	\$290	\$276
Sold Price			\$403,000	\$450,000	\$546,000
Sold\$ SqFt			\$251	\$285	\$274
Contract Date	06/27/20	06/08/20	06/11/20	08/10/19	02/17/20
Settled Date			07/21/20	10/15/19	03/17/20
DOM	2	8	126	42	3
Subdiv	Kenilworth	Kenilworth	Kenilworth	Kenilworth	Kenilworth
Year Built	1955	1941	1953	1951	1954
Appx Acres	0.28	0.25	0.28	0.16	0.28
Total SqFt	1690	2391	1604	1578	1990
Type	1 Story Basement Ranch	2 Story Cape Cod	1 Story Basement Ranch	1 Story Cottage, Ranch	1 Story Ranch
Style					
Exterior					

A development strategy provides the development team with the information they need to choose a site, design, and finance the project. After completing the development strategy, the project team should have the information they need to inform their site selection, project design, and financing stages.

Step 2: Site Selection

The first step towards selecting a site for the project is to identify desired features of a site. This could be proximity to job opportunities, convenience of public transportation, or services such as shopping and retail.

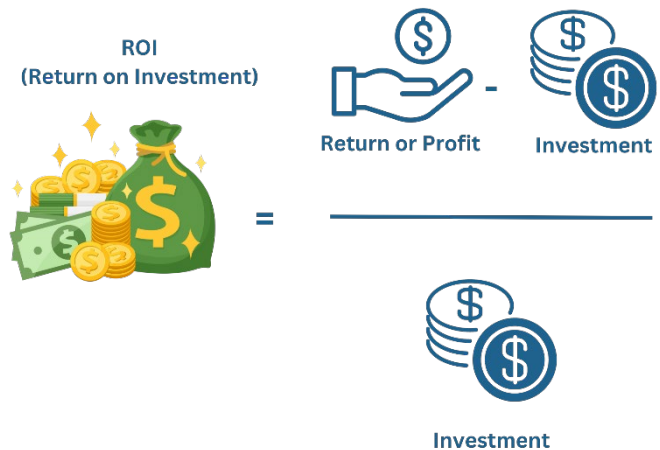
During this stage, the development team must begin focusing on governmental regulations, such as rules that limit the height of buildings, how many units can go in one site, and guidance on design. They must also consider existing plans and regulations for specific geographic areas, which are sometimes drafted through extensive community action and engagement. This often includes certain requirements on how the land can be used. For example, some sites allow retail while others only allow housing. These regulations will determine what type of project could realistically be constructed at the site and ultimately impacts finances of the project by shaping the number of units that can be developed, and if there are any additional costs for things like preserving historic resources on the site.

Step 3: Financial Feasibility

A feasibility analysis will determine if the project can move forward, given its financial expectations and constraints. This stage in the project will require the development team to develop a sophisticated spreadsheet called a “pro forma,” which includes all of the project’s financial inputs. These inputs, taken together, will create a clear picture of the project’s profitability and financial obstacles over a long period of time.

Pro forma’s include but are not limited to:

- *Soft costs*: fees, taxes, and loan interest that will need to be paid as part of the project
- *Hard costs*: construction costs (materials, labor, and the construction management)
- *Net operating income*: rent paid by tenants
- *Return on Investment*: how much money – or profit – a project will generate once all of the costs have been accounted for



Once the feasibility analysis is done, the project team will start obtaining different sources of financing to fund the project. Sources include banks, financial services organizations, public agencies, and nonprofits.

Step 4: Pre-development

Once a project site and funding have been secured, the project team can start with pre-development of the project to complete the project design, map out the construction process, and apply for the necessary permits. The team starts working with an architecture firm and construction management team.

A project’s design will change significantly from its inception based on community feedback, ongoing analysis of existing developments, cost constraints, and government regulations. Construction managers and architects help adjust the project as needed, until a final product meets all financial and regulatory needs.

The project team will also apply for permits. To begin construction, a project must receive approvals from several public agencies, including the planning department, building department, fire department, and public works department. These agencies will evaluate the project based on their criteria and may ask that changes be made before granting approvals.

Step 5: Construction

Once all approvals have been secured and a final project design has been selected, construction can begin. At this point, the project's architects and financial consultants are mostly no longer involved, while construction management and labor now plays the biggest role. The construction management team carries out the plans and designs created during the pre-development phase. The construction management team and the project sponsors will work together over the construction process to identify and address any obstacles that arise, especially those which may create extra expenses for the project.



For more information or to attend more community meetings, please contact:
CPC.CommunityPlanning@sfgov.org