

## Development Budgets

In the process for creating affordable housing in the State of Vermont, there are essentially three phases: feasibility, pre-development, and development. Sometimes the feasibility and pre-development are collapsed into one, but in the case of the Huntington Green initiative, the feasibility has been distinct from the pre-development phase. In all affordable housing developments that receive state and federal funding in Vermont, there is a local partner that is expected to represent the interests and needs of the community, both during the pre-development and development phases as well as the long-term operational phase. Huntington Green is playing that role in Huntington for this initiative to create affordable housing in Huntington.

In general, there is one primary source that provides feasibility funds: the Vermont Housing and Conservation Board (VHCB). Certainly there are other potential sources, such as the Vermont Community Foundation which occasionally has funds targeted for specific towns or regions, but the primary source for funds to assist during the early stages of assessing the potential for a housing development is a VHCB feasibility grant.

During the feasibility analysis, if conditions appear to support the development of the prospective affordable housing, then the next logical step is to go to the Vermont Community Development Program (VCDP) for a Planning Grant (PG). A PG provides much – but not all - of the funding for architectural, engineering, and other early development costs to further assess the overall costs, and therefore feasibility, of a potential project. It is at this stage that a development consultant becomes particularly important to advise and work with the local partner due to the complexity and challenges of funding.

In an analysis of ten development budgets for small, affordable senior housing developments in Vermont there is a wide range of funding options for the acquisition and construction of the projects. Please see the attached chart which will give the reader a grasp of the funding sources in these ten projects, unique to each development. The critical piece of information from this chart is that no project is funded in the same manner, by the same sources, or by the same route. There are a few common sources (VHCB, VCDP, Tax Credit Equity) but the most recent developments have up to twelve sources, all customized according to what can be garnered for the particular development. To add to the complexity at this time, some of the funding sources have been eliminated from the federal budget at least temporarily (HUD 202 and USDA Rural Development funds in particular), thereby reducing potential options for funding.

The easiest way to express a budget for a small (12 units) affordable housing development for seniors is to start with a per unit cost of \$250,000 and to build a simple budget (Sources and Uses) from there. This budget does not differentiate between new construction and substantial rehabilitation, nor does it attempt to identify specific funding sources because every development is going to be different. However, it can provide an

understanding of the financial structure of a future budget for a development and be used in outreach and educational efforts when building support for such a development. Here is such a simplistic and conceptual budget:

### **Sources and Uses for a 12-Unit Affordable Development**

<b>SOURCES</b>	<b>USES</b>
Grants/Gifts	Acquisition
Loans	Construction/Substantial Rehab
VHCB	Soft Costs
HOME	
Tax Credit Equity	<b>Total Development Cost: \$3,000,000</b>