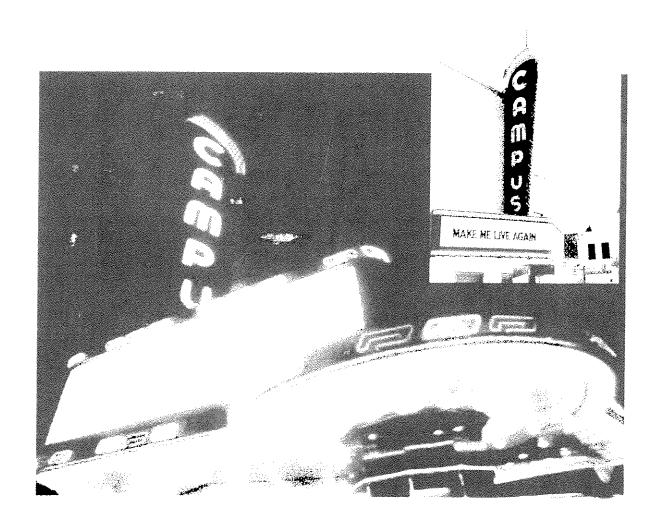# Community Initiated Development

A Manual for Nonprofit Real Estate Development in

Traditional Commercial Districts

National Main Street Center *of the*
National Trust for Historic Preservation

NATIONAL TRUST
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MAIN STREET

WHAT IS COMMUNITY INITIATED DEVELOPMENT?

BACKGROUND

There was a time when development was left to developers. The public sector — including local and state government — established the parameters within which development could take place through zoning ordinances, building codes, comprehensive plans, historic districts, and subdivision ordinances, and then got out of the way in hope that development would follow. And often it would.

But over the past 30 years, many city leaders have discovered that this passive role in the real estate development process did not result in the amount and kind of reinvestment in their communities they had hoped for — particularly in downtown land and buildings. Local development advocates realized that there were times when the private sector either could not or would not undertake certain development projects deemed important to the overall community. The development incentive was invented to encourage the investment of private capital into projects broadly defined as being in the public good. A development incentive is an inducement provided by a public or nonprofit entity to stimulate private investment in targeted ventures. There are a myriad of development incentives that range from grants to loans to tax abatements. Development incentives have been used to encourage the development of office buildings, downtown hotels, industrial parks, housing, research centers, the rehabilitation of historic structures, day-care facilities, and parking lots. In many cases, these incentives have achieved remarkable success in attracting private capital, and they remain an important

implement in a community's economic development tool chest.

But there remain certain projects that require active participation from the public or the nonprofit sectors. These projects come under the heading Community Initiated Development (CID) and are coordinated by what will be referred to throughout this workbook as a co-development team. (A full description of the co-development team is provided on pages 11, 13, and 14.) While there is an infinite variety of activities that might constitute a CID project, each is distinguished by four characteristics:

1. The idea originates from the public or nonprofit sectors, not from a private-sector developer.

2. The co-development team is part of the process until the development is completed, whether or not a private-sector developer ultimately is involved.

3. There is substantial commitment of public or nonprofit resources to the development. These resources would include money and other nonfinancial resources as well.

4. The project itself is deemed to have substantial public benefit in addition to the financial returns the building generates.

The kind of projects conducted as CIDs vary widely. Examples include the rehabilitation of an old hotel as housing for senior citizens, the redevelopment of a vacant department store building as county offices, the construction of a mixed-use commercial development on a vacant city lot, and the reuse of an

industrial building as a community arts center. The possibilities are limited only by a community's imagination, resources, and willingness to take risks.

But not every potential project is suitable for this development approach. When should community initiated development be considered? There are at least eight situations when such action might be taken:

1. When the private sector can't act.

2. When the private sector won't act.

3. When it is essential to influence the character, quality, use, scale, or timing of appropriate development.

4. When the development is an extension of public purpose or a public benefit is accrued.

5. When the development can be a catalyst for additional activity.

6. When a nonprofit organization has to serve as a conduit for public or foundation money.

7. When major infrastructure is required.

8. When the use of eminent domain is necessary.

It would not be unusual for several of these situations to exist simultaneously. But the most common would be that the private sector can't act and that the private sector won't act. Why couldn't (or wouldn't) the private sector undertake the identified development on its own? There might be several reasons:

- No financing is available.

- Financing is available, but the amount, interest rate, loan term, or other conditions of the financing make the project unfeasible.

- There is a high degree of actual risk.

- There is a high degree of perceived risk.

- The necessary property cannot be acquired.

- The scale of the project is either too big or too small to interest qualified developers.

- The perceived or actual risk exceeds the perceived or actual reward available from the project.

- The public will benefit significantly from one or more components of the project, which generates costs but not returns to the developer.

- The project is not net revenue producing.

- General economic conditions are discouraging for development.

- Other investment alternatives are more attractive.

- There are inordinately high transaction costs associated with the development.

- The cost of the project is greater than the value of the completed development.

Several of these barriers to private-sector activity may exist concurrently.

UNDERSTANDING THE GAP BETWEEN COST AND VALUE

The main reason for lack of private-sector action is when the cost of a project is greater than the value of the completed development. Cost is the sum of the dollars required from the conception of a development idea to the point of project completion and occupancy. Value is what potential participants in the marketplace are willing to pay for the right to use, buy, occupy, or lease the property. Value is sometimes defined as "the present worth of future benefits." Included in the investor's value equation will be anticipated returns from the rents collected each year, any tax savings the property generates for the owner, and the anticipated proceeds when the property is ultimately sold. To the extent that cost exceeds the estimate of value, a gap exists in the economics of the transaction. The ultimate purpose of virtually every development intervention tool is to help close that gap. (There is a more complete discussion of the gap in Step A-11.)

A small gap in a desired development may be filled through the use of relatively minor intervention tools such as a short-term tax freeze or a waiver of permitting fees. The greater the gap, the more intensive the level of development intervention is required for the project to go forward.

In brief, small cost-value gaps can be resolved by using development incentives without the assistance of a CID process. But larger gaps may well require the focused attention of a CID program. While not all development projects will require a CID to fill the cost-

value gap, every instance of community initiated development will require the use of development incentives to help close the gap. For development incentives to be effective, however, public-sector participants must understand not only their own needs and desired outcome from the project but the needs and standards of measurement of the private-sector investors as well.

FORCES OF VALUE

The essence of the development process, whether traditional or community initiated, is the creation of value. In real estate economics, the four factors that affect value, known as the forces of value, are physical, economic, social, and political. All four of these forces must be used to create value in the CID process. For instance, factors that will enhance value include physical forces such as painting a building, economic forces like favorable financing, social elements such as neighborhood support for housing, and political forces perhaps found in rezoning. Because your project is difficult, complex, and important from a community standpoint, all forces of value must be addressed. These are used as an organizing method throughout the CID process.

HOW COMMUNITY INITIATED DEVELOPMENT BEGINS

The CID process usually begins when someone says, "Somebody ought to do something about…" The speaker might be a city planner, a member of the county commission, a local preservation advocate, a neighborhood activist or a downtown development manager.

Motivation for action is either *property-driven* or *use/need/idea-driven*. The *property-driven* approach begins when someone takes notice of the physical environment. Property-driven motivations for development are related to specific sites or buildings that reflect negatively on the commercial or residential district. In this approach you might hear:

"Somebody ought to do something about…

…the old hotel that's not being used."

…the empty lot on Main Street."

…the vacant library."

…the upper floors in those downtown buildings."

In the *use/need/idea-driven* approach, community initiated development is driven by the need to address an economic, cultural, or social issue in the commercial district or neighborhood. In this approach you might hear:

"Somebody ought to do something about…

…putting some affordable housing in the

neighborhood."

…attracting some quality retailers downtown."

…developing a hotel near the convention center."

…providing a day-care facility for downtown

employees."

The CID process combines both driving forces by either finding a use/need/idea for a specific property or by finding a specific site in which the use/need/idea can be accommodated.

Regardless of motivation, when the statement "Somebody ought to do something about…" becomes "We ought to do something about…," the CID process has begun.

REDEFINING THE DEVELOPMENT PROCESS

The development process is simply the series of steps that turn an idea for a development into a completed project. The process is the same whether the idea is initiated by the private sector or by the community.

The word "developer" often conjures up visions of the high-rolling out-of-towner investing millions of dollars in a megaproject and getting rich in the process. But most development, and most traditional developers, does not fit that description at all. More often development is a small-scale, overwhelmingly local process, and is frequently undertaken by individuals who would not describe themselves as developers at all. The hardware store owner who builds his or her own facility, the young couple who converts an old mansion into a bed-and-breakfast inn, and the financial institution that adapts a gas station

for use as a branch bank are all developers. They are developers because they began with an idea which they pursued through the development process until they had an occupied facility. These people are also traditional developers in that they: (1) contribute equity to the projects; (2) own the finished products; and (3) receive the financial returns the projects ultimately generate.

In community initiated development, however, a developer is a person or entity who identifies a problem or an opportunity and brings together all the resources — human, financial, and physical — for the solution. Based on this definition, the CID developer may or may not contribute equity funds, may or may not have an ownership position, and may or may not share in the financial returns. It is the initiation, facilitation, and implementation of the development process, and not necessarily the monetary reward, that distinguishes a CID developer from a private developer.

THE PURPOSE OF THIS WORKBOOK

As soon as someone makes a "We ought to do something about..." kind of statement, one of two things usually happens to sabotage the catalyst for community initiated development. One deterrent is when the interested parties ask themselves what they are supposed to do, they realize they don't know and give up. The second is when the parties try to search for a traditional developer to take on the project but either do not find a willing developer or find the terms and conditions for a developer's participation unacceptable. In this case, responsibility for the development is left in the hands of the people who thought of the project — a group inexperienced in the development process.

The development process is intimidating. It is long and seemingly complicated. But it is the definition of the steps, their sequence, and their interrelationship that makes the development process complex, not the steps themselves. A reasonably competent and committed group of amateurs, with some outside expertise, can complete the steps. That does

not mean that the development itself will be easy — it won't. But the process presented in this workbook makes it possible for the group to make informed decisions about the development. Most of the CID process involves determining how and when the development should proceed and less with building the project. (This is true in traditional development as well.)

Since your group has decided to become the developer of a project, it will need guidance through the process. One of the steps suggested by this workbook is to consider hiring a traditional developer. However, that decision and the selection of the appropriate developer comes later in the CID process. Your group must take many other important steps first.

HOW TO USE THIS WORKBOOK

This workbook is a reference guide to community initiated development. Although certain development terms are defined, this is not a dictionary. Nor is it an encyclopedia of the detailed steps of the development process; however, an outline of the steps are provided. This guide also does not serve as a "how-to" manual; real estate development is an individualized and localized process so the precise steps will vary in every instance.

This CID workbook is more comparable to an atlas. The following pages offer a series of "maps" to guide you through the development process: action plans, checklists, matrices, and tables are designed to help your team evaluate which of several routes are most appropriate for your project. The "maps" will also help you organize your trip through the development process so you complete all necessary steps before moving on. These activities will help your team identify issues that need to be addressed each step along the way. Not every activity needs to be completed, but if a step is omitted, it should be by a conscious decision on the part of the co-development team based on the characteristics of your particular project.

The workbook is divided into the five stages of the CID process: Concept, Analysis, Preparation, Implementation, and Operation. Each stage begins with an action plan that includes:

- The steps within that stage.
- A column for additional comments.
- A column for checking off which steps will be required.
- Blank steps that allow the for your project development team to identify and complete tasks particular to your project.
- Columns showing who is responsible for completing each step and a timeline for his or her work.

To work through your CID project, start with the Concept Stage Action Plan and proceed from there. At the end of each of the first three stages (Concept, Analysis, and Preparation) is a point at which certain decisions need to be made. Based on what was learned during that stage of development, the co-development team must decide to abandon the project, reconsider that stage, return to an earlier stage, revise objectives or contributions, or proceed to the next stage. These periodic stopping points are necessary since every time the decision is made to proceed to the next stage, the cost of proceeding increases geometrically. (A description of time and money budgets is presented on pages 19.) The appendices include a cross reference of each step in the CID process. When undertaking any one step, it may be useful to refer to the related steps as well.

The chapters of this workbook correspond to the five stages of the CID process: Concept, Analysis, Preparation, Implementation, and Operation. To help guide you, the descriptions and instructions for each stage is numbered and lettered to match the steps in the action plans. All of the activity sheets (tables, checklists, and matrices) are also numbered and lettered to match their corresponding steps. For example, an early step in the Concept Stage is assembling the co-development team. That step is identified as C-2 and the associated activity sheet identified as Form C-2. All steps and activity sheets in the Analysis Stage have the prefix letter A. Steps and activity sheets in the Preparation, Implementation, and Operation Stages have the letters P, I, and 0 as identifying letters, respectively.

While this workbook provides you with a structured system of questions, it does not provide answers. The answers can only be found locally. At the end of some steps is advice on likely sources of information — experts you might call on to help you through that step or references to consult for a more complete description of that step in the development process.

Finally, the an interactive CD is included with this workbook to help you organize your record-keeping and facilitate quicker calculations. All worksheets corresponding with the steps of the CID process are presented in both Microsoft Excel spreadsheets as well as in Adobe Acrobat PDFs. The Excel spreadsheets have built-in formulas to assist you with calculations.

CONCEPT STAGE

The Concept Stage is like a well-written first paragraph in a newspaper story. It should answer who, what, where, when, and why:

- Who is going to be part of the development team?
- Where will the development take place?
- Who is going to use the development when it is completed?
- When will the steps in the development process happen?
- Why is community initiated development the appropriate solution?
- What kind of a project is being undertaken?

The development process itself is the "how."

The Concept Stage begins with the identification of the opportunity and ends with the decision of whether to quit, revise the concept, or proceed with the project.

CONCEPT STAGE ACTION PLAN

Start by reading through the list of actions required on the following action plan and checking those that seem to be necessary for your project. If you are uncertain if a step is necessary, check it anyway. It is easier to delete a step later than to try to do without one that was necessary. Also, note that lessons learned in several of the steps are used in subsequent stages, so it is best to review all of the steps.

The Concept Stage action plan should be completed by the entire co-development team. Therefore, it will probably be necessary to defer steps C-3 through

C-13 until the team is assembled. For each step, assign an individual on the team to be responsible for its completion. The person responsible for a particular step and the team need to agree on the start and completion dates.

Although different individuals will be responsible for handling each step, community initiated development is a group process. When a step is completed, the development team needs to be advised of the findings. Some steps, particularly the decision point, will have to be performed by the co-development team as a whole.

C-1. IDENTIFY OPPORTUNITY

The first step in the Concept Stage is to identify whether your proposed development is a property-driven opportunity or a need/use/idea-driven opportunity. As explained in the introduction, a property-driven opportunity is based on a building or a site that seems appropriate for development or redevelopment. A need/use/idea-driven opportunity stems from a social or economic need rather than a location. Parts of the Concept and Analysis Stages will require unifying these two driving forces by either finding a use for the property or finding a location for the use.

It is crucial that the co-development team consider a number of uses for a property-driven opportunity and that several alternative sites are considered for a need/use/idea-driven opportunity.

Occasionally, a CID project begins with both the property and the use already established in the minds of the participants. In the best of circumstances, community initiated development is a difficult pro-

cess and being flexible is important asset for adapting to changes and overcoming many hurdles. Committing to a particular use or a specific site too early in the process reduces flexibility and threatens success.

If you have a property-driven opportunity, you need to begin thinking about a wide range of alternative uses. You also need to find out basic information about the building:

- Who owns it?

- How big is the building and/or the lot?

- Is it for sale or lease?

- If so, what are the asking price and terms?

- What are the taxes?

- Are there any encumbrances (mortgages, liens, easements)?

- Would the owner consider participating in the CID process?

If you have a need/use/idea-driven opportunity you need to begin thinking about possible locations. And you need to establish geographic boundaries for your search.

> ### SOURCES OF INFORMATION OR EXPERTISE
> BUILDING OWNER
> CHAMBER OF COMMERCE
> CITY PLANNING OFFICE
> COMMERCIAL REAL ESTATE BROKER
> COUNTY ASSESSOR'S OFFICE (OR OTHER TAXING AUTHORITY)

C-2. ASSEMBLE A CO-DEVELOPMENT TEAM

Community initiated development is distinguished from traditional development in two important ways. First, CID is decidedly a group process, whereas traditional development is generally directed by one person or entity. Second, the participants in a CID project may not receive the returns on their investment in the form of monetary rewards. A driving force for a CID project is the broader and often noneconomic benefit it will provide the participants and the community.

Because of these two factors, probably no single step in the entire CID process is more important than assembling the co-development team. In traditional development, the developer can hire and fire participants at will. But, with a few exceptions, co-development team members will work on the project from start to finish and, thus, must be willing to participate in a cooperative effort.

All co-development team members need to be competent, committed to the project, and motivated to be involved. Team members must have realistic expectations. It is this competence, commitment, motivation, and realism that will most affect the chances for a successful project. Additionally, an ideal co-development team member will have a combination of the following:

- Cash to invest in the project.

- Access to money, decision makers, volunteers, and/or information.

- Technical expertise in some area of development.

- Community credibility.

It is also very helpful to have a team member who has a use for the building or a property to be developed.

It is recommended that the co-development team does not exceed seven members. It might be wise to start with less than that number so you can recruit additional members as needs for specific attributes arise.

Since successful community initiated development requires participation from the public and non-profit and private sectors, it is beneficial to have at least one team member representing each of these areas. Since numbers are limited, it will be important not to duplicate skills. For example, having the president of the local historic preservation organization as a member might be very useful for his or her expertise in rehabilitation, access to volunteers, and working relationship with the city planning office. But, having the vice president of the same organization on the team as well may eliminate opportunities to recruit individuals with other useful skills.

You should also include one person on the team who has participated directly in the traditional development process as either a developer, lender, or ar-

chitect. Occasionally, an ideal co-development team member might choose not to become involved initially because of a real or perceived conflict of interest later on. For example, a general contractor might decline to participate fearing that being a member of the co-development team might preclude him or her from bidding on the project later. Such issues concerning potential team members need to be addressed locally as appropriate.

Form C-2 lists several examples of typical team members. It might also be useful to review the list of technical assistance team members found in Form A-5. Several members on that list are marked with an asterisk to denote possible appropriateness as members of the co-development team.

As individuals, the co-development team members need to be committed, motivated, and competent. As a group, they need to be diverse, flexible team players who are willing to take some risks.

C-3. DEFINE ROLE OF CO-DEVELOPMENT TEAM MEMBERS

OBJECTIVES OF CO-DEVELOPMENT TEAM MEMBERS

As discussed, the important characteristics of a co-development team member are competence, commitment, and motivation. Since the CID process is an extended one, often lasting two or three or more years, involvement on the part of team memebers must be long term. Each co-development team member must have a vested interest in helping the project reach a successful conclusion. This vested interest does not have to be monetary — for most of the team members it won't be. But there does have to be a clearly defined benefit for the individual team member or the group he/she represents that will be met through the successful completion of the development. These benefits are referred to as the objectives of the co-development team. The objectives need to be written, they need to be concise, and they must be specific. Each member should write his or her own objectives and then candidly present them to the team.

Each objective should answer: Why are you personally involved in this project? The response should be a single sentence beginning with "I want..." An objective that states, "I want downtown Elmville to be a nicer place," is not sufficiently specific.

Here are some examples of appropriate objectives:

Banker: "I want to make a loan to this project at a rate two points above prime, for a term of no longer than 15 years, in an amount not greater than 50 percent of the cost of the development."

Preservationist: "I want the Jones Building redeveloped within the Secretary of the Interior's Standards for Rehabilitation."

Architect: "I want the contract for the architectural services when the building is built."

Downtown development manager: "I want the redevelopment of this building to reestablish downtown as the widely recognized center of this community."

City council member: "I want this project to be this year's public works commitment to my ward."

These are all perfectly valid objectives reflecting sufficient vested interest so that the participant will remain an active member of the co-development team. Most members will have more than one objective; Form C-3A allows for up to three objectives per member.

THE FORCES OF VALUE

The co-development team's objectives should be categorized in the context of the forces of value outlined in the Introduction. All four forces should be represented among the objectives. In the examples above, the banker's and the architect's objectives are economic. The preservationist's objective is physical. Not surprisingly, the council member's objective is political and the development manager's is social.

Not every objective will be clear as to which force of value it reflects. But the co-development team must attempt to categorize each by asking: Is that objective primarily economic, social, political, or physical?

CONTRIBUTIONS OF CO-DEVELOPMENT TEAM MEMBERS

As stated earlier, the objectives of the co-development team members represent what each wants to receive from the project. It bears repeating that each individual's vested interest is not only acceptable but, in fact, essential to sustain interest and participation. In return, each member must be willing to put something into the project.

The co-development team's contributions fall into nine categories:

- Money
- Land and/or building
- Time and/or expertise/knowledge
- Occupancy
- Public or political support
- Nonmonetary support
- Seed money
- Fund raising
- Other locally identified need

After completing their objectives, the co-development team members need to identify what their contributions will be and the amount or nature of that contribution. **A team member who has objectives but no contributions does not belong on the co-development team.** The contributions should be stated as specifically as possible; therefore, "I will devote time to this project," is not sufficient. It is appropriate to state, "I will devote 10 hours per month in addition to the time spent in meetings with the co-development team." Form C-3B is used to identify the specific contributions of each team member.

While this is a group process, one member of the co-development team needs to become the project leader at this point. Development by committee can work, but only with one team member designated to keeping the process moving in the right direction.

C-4. CONSIDER APPROPRIATENESS OF COMMUNITY INITIATED DEVELOPMENT

It may seem too late, now that the co-development team has been assembled and a property or a use has been identified, to ask if this is an appropriate project for community initiated development. It is important to realize that throughout the CID process your team will be asked why it is trying to do this project. Persons such as city council members, bankers, media representatives, and real estate brokers will wonder why, if it is such a good idea, isn't a private developer working on it. But, the whole point of community initiated development is not to replace private developers, but to act when the private sector either will not or cannot. Thus, the co-development team must be prepared to persuasively respond to these questions.

Form C-4 provides a checklist for measuring the appropriateness of your CID project. Most of the reasons why a traditional developer is not acting have to do with the economics of the transaction. The co-development team will be asked these same questions about economic feasibility by potential financial participants, whether bankers, equity investors, grant makers, or local government. Therefore, it is necessary to identify from the outset why the private sector won't act and find ways over or around those barriers before prudent providers of capital will seriously consider your proposal.

There are ways to accomplish development that would not otherwise be undertaken by the private sector alone. But before the appropriate economic development intervention tools can be identified or used, it will be necessary to recognize where and why the private-sector barriers exist.

On Form C-4, place a check under the "if applicable" column if the statement applies to your project. If number 1, "Private sector can't act," or number 2, "Private sector won't act," applies to your project, complete the section entitled, "Why Private Sector Can't/Won't Act."

C-5 FORMULATE SKELETAL PLAN

Very little about your project is known for certain at this point. The basic nature of the development proess involves uncertainty. Yet, uncertainty can be managed and mitigated if you recognize at the outset that the development process will take longer, be more costly, and probably more frustrating than imagined. It should be of some consolation to know that this is almost always true for traditional development as well.

It is necessary at this point to establish a preliminary budget for your project. It is just as important to budget for time as it is for money because more projects fail for lack of time than for lack of money. At this early stage it is often easier to start at the end and work backwards. For instance, you might start with the decision that the process through the rent-up of the property (Step 0-3 of the Operation Stage) should be completed within the next three years. The four earlier stages, will then have to be completed in less than three years. As a rule of thumb, the total time required to complete a project can be represented by the following percentages for each stage:

Concept	5 – 20 %
Analysis	10 – 20 %
Preparation	15 – 20 %
Implementation	30 – 60 %
Operation*	5 – 15 %
	100%

(*Through rent-up only)

Using the previous example, a preliminary time budget of three years (or 156 weeks) would be broken down as follows for the five stages of development:

Concept	8 to 31 weeks
Analysis	16 to 31 weeks
Preparation	23 to 39 weeks
Implementation	47 to 94 weeks
Operation	8 to 23 weeks

This is not a stringent time budget. It can and probably will be revised several times during the CID process, but devising an initial rough estimate is important. The same is true of the money budget. At this stage you simply do not have enough information to know all the financial answers, but you must start somewhere. Again, costs must be budgeted across all five stages of the development process. The rule-of-thumb proportions for allocating money are as follows:

Concept	0 – 5 %
Analysis	5 – 15 %
Preparation	15 – 30 %
Implementation	40 – 75 %
Operation	5 – 10 %
	100 %

Plus: Acquisition Cost

For example, if the co-development team initially estimates that the total project can be accomplished for $500,000, then the money budget would be allocated within the following ranges:

Concept	$0 – $25,000
Analysis	$25,000 – $75,000
Preparation	$75,000 – $150,000
Implementation	$200,000 – $375,000
Operation*	$25,000 – $50,000

(*Through rent-up only)

Note that the above percentages do not include acquisition cost. If, for example, $50,000 is required to buy the property, then only $450,000 will be left to be budgeted to the five stages.

You must keep in mind that this is only a first attempt at both the time and money budgets. They needn't be exact at this point; in fact, they cannot be. But without a starting estimate of how much time and money are involved, it is difficult and risky to proceed. Use Form C-5 to record the first drafts of your time and money budgets. Later in the CID process you can prepare more specific and detailed budgets when additional information becomes available. Form C-5 should also be used to record the revised budgets. A space is provided to note the date of each revision.

SOURCES OF INFORMATION OR EXPERTISE

APPRAISER

ARCHITECT

CO-DEVELOPMENT TEAM

COMMERCIAL COST MANUALS

COMMERCIAL REAL ESTATE BROKER

COST ESTIMATOR

TRADITIONAL DEVELOPER

C-6. IDENTIFY INFORMATION SOURCES AND ASSEMBLE AVAILABLE STUDIES

The purpose of approaching development through a staged process is to identify and reduce the level of risk. Risk (and corresponding opportunities) are discovered through information. Therefore, the next step in the CID process is to find out what information is available and where it is found.

In every community, regardless of size, there are dozens, often hundreds, of reports of varying degrees of usefulness that are available from city planning offices, libraries, banks, newspapers, and the chamber of commerce. At this stage in the development process when almost nothing is known, almost everything is useful.

Traffic counts, population studies, appraisals of projects that were not completed, building inventories, radio station listening patterns, real estate multiple listing service catalogues, municipal budgets, and maps all contain some bit of information that the co-development team will find useful now or later in the development process. Often it takes reading an entire report to discover the single kernel of information that is useful, or perhaps even crucial. The basic rule of this information gathering stage is: if it might be useful take it, borrow it, copy it, or buy it.

Don't be reluctant to ask for information even if you don't know precisely what it is you are looking for. When seeking unknown information, you might say, "A group of us is looking into the possibility of creating housing downtown (or whatever your project would be). Do you have any information that might be of help?"

The following are most likely to be useful additions to your development library:

- Population studies
- Economic base studies
- Job growth studies
- Comprehensive plans
- Historic district ordinances
- Zoning ordinances
- Subdivision ordinances
- Market analyses
- Radio/television/newspaper market studies
- Appraisals
- Offering brochures
- Recruitment brochures

Form C-6A lists reliable sources that should be contacted for information. Since you will often be dealing with the unknown, the column entitled "What is Available" might need to remain blank until after the initial visit is made to that source. A member of the co-development team should be assigned the task of keeping up with local happenings that might have an effect on the proposed project. The newspaper, city council minutes, planning commission agendas, and advertisements should all be reviewed and saved as potentially useful information.

When materials are assembled, a team member should write a one-page summary. Executive summaries will condense the information since there will be too much of it for everybody involved in the project to read everything. If the executive summary is several pages, keep condensing it until it is no longer than one page; you will always have (or have access to) the entire report when necessary. If you cannot summarize the report on one page, others will not read it! Use Form C-6B for the summaries.

C-7. WHERE CAN WE GET LOW-COST/NO-COST HELP?

At this stage your project is short of financial resources. If it wasn't, community initiated development probably would not be necessary. While a successful project will raise funds, it is unlikely that money will ever be overabundant in this process. Therefore, it is necessary to identify and recruit affordable help.

The type of help needed generally falls into four categories: Expertise, support staff, administrative assistance, and information. Support staff should include clerical and bookkeeping skills. Administrative assistance comes in the form of photocopying, telephone, meeting facilities, and, perhaps, office space. Your alternatives are limited only by the willingness of potential donors and your willingness to ask. Someone might give you a photocopy machine, or let you make free copies, or do copying for you.

Money is certainly important in the CID process, but the kinds of assistance described above are extremely valuable as well. The following lists include two types of individuals or groups who are asked for assistance: Those who are asked for money all the time (and frequently provide it) and therefore are thrilled when someone asks for something other than money; and those who would like to be of assistance but don't have money to contribute. Some, such as small business assistance centers (usually affiliated with colleges) and the Small Business Administration are in business solely to assist new businesses. Additionally, these two sources of inexpensive help are also great sources for information.

EXPERTS

- Small business assistance centers
- SBA/SCORE
- High school teachers
- College professors
- College students
- Contingent fee takers

ADMINISTRATIVE/MISCELLANEOUS

- Local government
- Chamber of commerce
- Foundations
- Banks
- Utilities
- Local professionals

SUPPORT STAFF

- Local government
- Chamber of commerce
- Banks
- Utilities
- Local professionals
- Volunteers

INFORMATION

- National data services
- See Form C-6A

Where there is a specific task for any of these people or groups to perform, you should ask for help. The worst they can do is say no. In addition, individuals who were asked, but declined, to serve on the co-development team should be asked to provide other kinds of help.

C-8. REVIEW AVAILABLE INFORMATION

Now that basic information has been gathered and the co-development team is in place, it is time to evaluate your situation. The one-page summaries of the studies you collected should be read and discussed by the co-development team members. It is important to identify and separate the information that is helpful to your project from that which is detrimental. It is very likely, at this point, that the "bad news" will outweigh the "good news." This likelihood does not necessarily constitute a reason to quit the project!

BARRIERS TO DEVELOPMENT

The studies and materials you have gathered and the conversations the team members have had with oth-

ers will produce a list of obstacles. These barriers to moving forward will fall into four categories:

- **Physical constraints** (The building is too small for a 40-room hotel.)
- **Legal limitations** (The state constitution prohibits the city from being an equity participant in a development project.)
- **Political constraints** (The mayor wants to tear that building down.)
- **Market demand or acceptance barriers** (Nobody has been successful in trying to establish downtown housing.)

There certainly will be financial constraints as well, but not enough is known at this point to weigh the financial barriers. A brief synopsis of the barriers to continuing the development should be entered on Form C-8A.

OPPORTUNITIES AND BENEFICIARIES

By now you should have learned enough about the development, the opportunities it will offer, and for whom to make an effective sales pitch. Since community initiated development is a selling job from beginning to end, you will need to convinced the community (and its component parts) of the specific benefits it will receive from the project. Therefore, it is necessary to identify the project's beneficiaries and their particular opportunities in order to make an effective sales pitch. Again, the forces of value are used as an organizing mechanism.

While the opportunities for many people may be economic, there may be other types of opportunities as well. For example, a mayor might gain a political opportunity to appease preservationists when a historic building is rehabilitated. A neighborhood club might take advantage of a social opportunity presented in a community room of a new housing development. Also, an adjoining property owner would have a physical opportunity to share a to-be-constructed parking garage. Any of these might be enough to enlist the support of divergent and occasionally adversarial interests. Use Form C-8B to identify potential beneficiaries and their opportunities.

PROFILE OF PROJECT

The last task in this step is to write a one-page summary of your project. A movie producer once said, "If you can't write your idea on the back of my business card, you don't have a clear idea." Community initiated development is much more complex than movie plots; give yourself a whole page!

If your project is a property-driven opportunity, the page should be devoted to the most salient facts about the property, why it should be developed, and who the beneficiaries would be. If the project is a need/use/idea-driven opportunity, the page should spell out what the idea is, why it is needed, and the project's beneficiaries. You can get almost anyone to read one page; keep reducing and summarizing your project until it meets the one-page test. Then transfer your synopsis to Form C-8C.

C-9. IDENTIFY SEED MONEY: SOURCE AND USE

Early in the CID process there is no certainty that the project will go forward, no collateral against which to borrow and rarely any money in the bank. But there is need for cash! Plans, studies, and professional and administrative services are all necessary early in the process, yet there is no money to pay for them. This is why you need seed money, a very high-risk, early contribution that will almost never be re-paid if the project does not go forward (and most of the time not even then). A reasonable estimate is that one to three percent of the total expected project budget will be necessary as seed money. Seed money requirements of five percent would not be uncommon.

Ideally, seed money will come in the form of cash, but since much of this money will be used to buy services, the contribution of those services (in whole or in part) also could constitute seed money.

Grants are the optimum source of seed money and could come from any of the following entities:

* City government
* Foundations (particularly community foundations)
* Nonprofit organizations
* Banks
* State agencies
* Local development corporations

Other sources of seed money to consider are:

* Early investment by an equity participant, perhaps in exchange for a preferential return if and when the project goes forward.
* Members of the co-development team.
* Members of the technical assistance team. While the selection of the technical assistance team isn't called for until the Analysis Stage (Step A-5), if individual members have already been identified, their contributions might be through money, services with payment deferred, or services on a con-

tingent-fee basis, which would not have to be re-paid if the project does not come to fruition.

* Contingent loans (particularly from nonprofits or foundations) that would not require repayment if the project is not completed.
* Donated expertise.
* Public-sector expertise from planners, architects, engineers, public works officials, and financial analysts at city hall.

The list included in "Sources of Low-Cost/No-Cost Help" (Step C-7) also should be reviewed for other possible providers of seed money (or services).

Form C-9 should be used to identify the ex-pected uses for seed money, the amount required, and the likely source for that seed capital.

SOURCES OF INFORMATION OR EXPERTISE

APPRAISER
ARCHITECT
BANKER
CO-DEVELOPMENT TEAM
LOCAL FOUNDATIONS
LOCAL NONPROFIT EXECUTIVE DIRECTORS
PROFESSIONAL FUNDRAISERS
TRADITIONAL DEVELOPER

C-10. Evaluate Investment Climate

Your project, if successful, will require investment, most likely from a number of sources. But investors' attitudes toward a project do not emerge solely from within the boundaries of the proposed development. Investment of all kinds takes place within economic, political, social, and physical contexts (those forces of value, again). If the investment climate for your project was excellent in all regards, the private sector would be undertaking it and community initiated development would be unnecessary.

The climate does not have to be excellent at the moment, but it does have to be evaluated. Among the indicators of the investment climate are the answers to these questions:

- What are the attitudes of potential lenders toward your target area in general and your proposed development in particular?

- What are likely sources of investment?

- What is the attitude of the public toward investment in the target area?

- What is the history of investment in the area?

- What is the attitude of the public sector toward investment in the area?

- What is the general physical condition of the target area?

- What is the pattern of investment in the target area? (By whom? For what? How recently? What is the geographic pattern?)

Use the matrix in Form C-10 for rating the investment climate.

C-11. COMPARE OBJECTIVES, CONTRIBUTIONS, AND INVESTMENT CLIMATE

This step in the Concept Stage does not require any new work, research, or analysis. It is the point at which you should compare what has already been learned. There are two parts to this step: (1) comparing the objectives of each co-development team member with their respective contributions; and (2) comparing the objectives with the investment climate.

Comparing objectives with contributions allows the entire co-development team to evaluate if what each individual is willing to give is in balance with what each wants out of the project. You should consider not only the amount of the contribution, but also the timing and risk the contribution reflects. For example, it is not particularly valuable if a city council member offers to support funding for a project but only if the mayor and other council members will commit to it. On the other hand, a bank providing early seed money and promising clerical support as needed might be extremely important.

Everybody's contribution does not have to be equal; but everybody's contribution should be appropriate to his or her objectives. At this point it might be necessary for some co-development team members to scale back their objectives, increase their contributions, or both.

Earlier you defined the team's objectives as economic, social, political, or physical. The investment climate was evaluated on the same basis. These two perspectives now need to be compared to determine if the objectives seem realistic. It probably would not be realistic to have a social objective of using the project as a community center when the neighbor-

hood is adamantly opposed to any development. Likewise, an objective to receive a 12 percent return on equity when both the community and the target area are rated as having a "poor" economic climate will present a challenging situation. Use Forms C-11A and C-11B to map out your comparisons.

Steps C-12 and C-13 have been left blank so that your team can conduct any extra tasks it deems necessary at this stage.

C-14. DECISION POINT OPTIONS

You have reached the end of the Concept Stage where you must make a major decision regarding what action you need to take next. At this point, you can decide among five choices:

- Abandon the project; in this case, there is nothing else you need to do.

- Reconsider this stage; returning to an earlier step in the Concept Stage might be appropriate. For example, your original plan may have been to convert the vacant department store into low-income housing for elderly people, but your research shows there is plenty of such housing available. Now you think there may be an opportunity to house downtown workers instead. This may well affect your skeletal plan (C-5), members of the co-development team (C-2), sources of help (C-7), and other steps. These steps should be appropriately revised before moving on to the Analysis Stage.

- Revise objectives.

- Revise contributions.

- Proceed to the Analysis Stage.

You should not proceed unless seed money has been identified and objectives and contributions seem to be in balance. The Analysis Stage will take considerably more time and money than did the Concept Stage. You need to know now where that time and money will be coming from.

How long has it taken you to get to this point? How much money have you spent? Before finally leaving the Concept Stage you may wish to consider revising the preliminary time and money budgets (Form C-5). Based on what you have learned to this point you may be able to determine if you need additional members on the co-development team and, if so, who those people might be. Use Form C-14 to help reach your decision.