



Selecting a Development Consultant

In many cases, an organization trying to develop new supportive housing units may have neither the staff experience, capacity, nor time to perform all of the duties of a housing development project manager in-house. An organization with some housing development experience that plans to pursue future development projects, may wish to contract with an experienced housing development consultant, rather than partner with a development organization, as a strategy for developing the proposed project and for increasing their own housing development capacity.

If contracting with a development consultant, it is critical to identify clearly the role and responsibilities of the consultant, as well as the basis for the consultant's fees. A development consultant can assist with the development process in a variety of ways:

- The consultant can serve as the lead project manager for the organization, or
- The consultant can assist (or coach and mentor) an in-house project manager with specific tasks, such as the development of the project budget and/or preparation of financing applications.

In either case, it will be critical to meet with the consultant regularly to stay informed of project progress and to discuss issues related to their tasks.

Issues to Consider When Hiring a Development Consultant

Strong development consultants may be identified by asking organizations who have experience developing supportive housing, or asking staff at public agencies that fund supportive housing projects, to provide referrals to qualified consultants. A prospective housing development consultant should have at least three years experience as a consultant or have successfully completed three projects. One of the best ways to assess a consultant's work style and effectiveness is to talk to organizations who worked with him or her in the past. The consultant should also be able to provide at least three letters of reference regarding past performance on projects of similar type and size.

A good consultant should also be able to provide you with a sample scope of services, which might include the following activities:

- Coordination of the development team
- Financial analysis and planning
- Preparation and submittal of financing applications, including predevelopment funds, and pursuit of financing and resource commitments
- Preparation and submittal of tax credit application and pursuit of tax credit allocation
- Selection of architect and design planning
- Obtaining site control from private or public entities

Note: This document is included within the *Development and Finance* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, which is available at www.csh.org/toolkit2. This document has been adapted from the CSH Southern New England Program's *Pilots Housing Development Guide*, which is available [here](#).

- Monitoring of project progress and schedule
- Obtaining planning board, zoning and other local approvals
- Obtaining local tax abatement or deferral
- Obtaining environmental inspections, abatement services and environmental clearances, and related matters
- Designing an appropriate project ownership structure
- Bidding and contractor selection
- Selection of management agent
- Coordination of loan, grant and investment closings
- Monitoring of construction activities
- Preparation and submittal of construction-period requisitions
- Oversight of completion, rent-up and development closeout
- Other tasks relevant to the successful completion of the development

Questions to Ask Prospective Development Consultants

General Questions:

A consultant who appears qualified and interested in providing the services needed for the development project could be asked the following general questions:

1. How many years has the consultant been in business?
2. What is the professional experience of the principals of the consultant's company, as well as of the key staff who will be working on this project? Can they provide resumes?
3. How many staff are currently employed by the consultant's company?
4. What is their company's "culture" or, if a sole proprietor, their individual work style? What types of services do they provide? What services do they anticipate providing to this project? Are there any areas of housing development and finance that they cannot, or will not, carry out?
5. What is the process for defining what work will be handled by the consultant and what will be handled by the contracting organization?
6. If selected, would the consultant subcontract any portion of the work to a third party? If so, who?
7. Have they ever defaulted on a contract? If so, why and what were the circumstances?

Questions Related To Experience:

It is also critical to explore the extent of the prospective consultant's experience, which could include asking the following questions:

8. Can they provide a list of housing projects developed by their company (as a development consultant or developer), including address, # of units, type of housing (family, elderly, special needs, etc, rehab or new construction, type of ownership), status of project, and major financing sources?
9. What is their experience in projects similar in scale and nature to the proposed project, including projects providing housing for persons who are homeless or have special needs?
10. Have any of these projects later incurred any operating deficits? Did any of these projects later result in default?
11. Has the developer/consultant been associated with any projects that were terminated in the development process due to:
 - a) Lack of community/political support?
 - b) Lack of feasibility as determined by a funder?
 - c) Other reasons?
12. Ask them to describe their experience developing projects involving low-income housing tax credits and equity syndication, if the proposed project will include such financing?
13. What is their current workload? What other projects is the consultant working on that might take his or her time away from your project?

Questions Related to the Development Consultant's Fees:

It will be important to assess how the prospective consultant's fees will be structured, which could include asking the following questions:

14. What is the basis the consultant uses for calculating their fees? Do they charge hourly, hourly with a not-to-exceed cap, a lump sum, a percentage of the total development costs of the project, or other (specify)?
15. Are the consultant's hourly rates fixed for the term of the contract? If not, how and when are they adjusted?
16. What are the hourly rates of any other personnel who will be working on the project?
17. Which expenses does the consultant consider to be reimbursables – or outside of the contact price? Would additional costs be charged for travel, printing costs, courier services, photocopying, telephone, or other costs (specify)?
18. What are the payment terms? Will the organization be expected to pay the consultant out of

existing funds prior to the construction financing closing in the event sufficient predevelopment loans or grants are not available to cover the consultant's fee? What percentage of fees incurred can be deferred to the construction loan closing for payment?

Questions for References Provided by the Consultant:

Prospective development consultants should be asked to provide the names and contact information for previous clients for whom they served as a development consultant. They should also be asked to identify sources of financing they have worked with previously, and names and contact information for people at those agencies. The consultant should describe the scope of services provided for each project. It is important to contact the consultant's former clients and funders regarding the quality and timeliness of the consultant's work, perhaps using the following list of questions as a guide for conversations with these references:

1. Was the consultant the only development consultant on the project? Did they replace a previous consultant? (Explain) Were they later replaced by another consultant? (Explain)
2. Who was involved on the development team?
3. How did development team members participate in the development process? Collaboratively with development consultant coordinating? Independently with development consultant coordinating?
4. How would you rate the quality of information sharing and general communication within the team and during the development process?
5. Did the development process encounter unforeseen challenges or problems? How were they resolved?
6. Did any team members prematurely end their involvement in the development process? If yes, why?
7. How would you rate the consultant's role during the underwriting process?
 - Always anticipated the underwriter's requirements, process was smooth, financing approvals were gained with minimum of difficulty;
 - Usually anticipated and met the underwriter's requirements, when encountered unforeseen difficulties — resolved them swiftly;
 - Encountered numerous difficulties in meeting the underwriter's expectations, there were repeated delays in the development process, but the project was successfully completed;
 - Encountered numerous difficulties in meeting the underwriter's expectations, there were repeated delays which resulted in the unsuccessful completion of the project.
8. Would the client hire development consultant again for another project?

Contracting with a Non-Profit or For-Profit Developer to Develop the Project

Contracting with a developer to develop a supportive housing project is not as widely used an approach as working with a development consultant, but may be effective in certain situations. The relationship is similar to that of hiring a development consultant, structured as the purchasing of specialized services to develop the housing, which is then owned by the contracting organization.

The key difference between contracting with a developer and partnering with a developer is that under a contractual relationship the developer will not continue to own the project after it has been developed. In a partnership relationship, the development partner is often a part owner of the project over some period of time, or possibly through the life of the project - the terms of the partnership are determined on a case-by-case basis.

In identifying prospective development agencies with which to contract for development services, it is important to look for the same kinds of experience and to probe the same issues regarding roles and responsibilities and fee structure as when contracting with a development consultant.

Note: The *Development and Finance* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, available at www.csh.org/toolkit2/development, includes more tools and materials related to selecting other development team members – see the tools under *Building the Development Team*.