



## The Development Budget: Introduction

The developer must create a development budget with the most realistic cost estimates possible. This budget is developed in stages during the development process. For example, it isn't possible to accurately estimate construction costs until a site is chosen, a zoning analysis is performed, the site is analyzed for drainage and environmental considerations, and detailed construction drawings are developed and then priced out.

Initially, the pre-development budget will have no information on construction costs, then as a rough count on the number of units and square footage is developed, it will have a 'ballpark' number based on these amounts.

Finally, once plans have been completed and bids obtained, there will be actual construction numbers. Even then, the final construction numbers will only be known when the specific construction item has been completed and the project management team has approved the work.

The budget contains "hard costs" and "soft costs." Hard costs refer to those expenses directly related to acquisition and construction including site costs, site development and actual building/renovation costs. All other costs including professional services, financing, insurance, etc., are known as soft costs. Construction costs are initially estimated by the architects and engineers and then finalized based on bids submitted by the builder.

Soft costs estimates are developed by the development manager, with input from the property manager in terms of operating costs. The developer must also identify the sources of funds for the project.

Once the budget has been finalized and approved by the project funders, changes in the budget can only be made with their approval. For this reason, most development budgets include line items for both hard and soft costs contingencies. It is in the project and financial managers' interests to have as much money as possible in these contingency lines.

[Click here, for "How to Prepare and Evaluate Supportive Housing Development Budgets."](#)

*Source: Family Matters: A Guide to Developing Family Supportive Housing, Corporation for Supportive Housing*