Reading a Housing Development Feasibility Study

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A Practical Guide for Municipal Officials

A housing development feasibility study helps answer a simple question: **Can this project be built and succeed financially?**

Developers often prepare these studies before asking a municipality to participate in a project or provide assistance through the Community and Housing Infrastructure Program (CHIP). The study combines information about the housing market, construction costs, financing, risks, and expected income to determine whether a project is likely to succeed.

Municipal officials do not need to become housing developers or financial experts. Instead, your role is to understand the study well enough to ask thoughtful questions, recognize important assumptions, and understand how the study supports the request for public participation.

Use this guide as you read the study.

1. Start with the Executive Summary

The executive summary gives a brief overview of the project, the study's main findings, and its conclusions and recommendations.

What the developer provides

The executive summary usually includes:

- Project location
- Type of housing
- Number of housing units
- Estimated cost
- Major findings
- Whether the project is considered financially feasible

What municipalities should look for

- Is the project clearly described?
- Does the summary match the community's housing goals?
- Does the study explain *why* assistance is being requested?
- What challenges or risks were identified?

Questions to ask

- What are the biggest reasons the project is or is not financially feasible?
- What assumptions have the greatest effect on the conclusion?
- Is the project expected to change before construction begins?

Watch for

- Conclusions without supporting information later in the report.
- Statements that the project "needs assistance" without explaining why.
- Very broad claims without facts or data.

2. Review the Market Analysis

The market analysis explains whether people are likely to live in the proposed development.

What the developer provides

The market analysis may include:

- Population trends
- Employment trends
- Housing demand
- Rental or sales prices and trends
- Comparable developments
- Occupancy and vacancy rates
- Expected lease-up or sales timeline
- Target population

What municipalities should look for

- Does the study use recent, reliable local information?
- Are comparable projects truly similar?
- Does the demand seem realistic?

Questions to ask

- Who will live here and can these households afford the housing units?
- What evidence shows people will choose this housing?
- Are there enough similar successful projects nearby?
- What happens if rents or sales prices are lower than expected?

Watch for

- Very old market data.
- Comparable projects located in very different communities.
- Assumptions that every unit will rent or sell quickly.
- Rental rates appear much higher than the local market.

3. Understand the Site

The site analysis section describes the property and any physical challenges.

What the developer provides

Th site analysis section may discuss:

- Site location and size of property
- Roads and access
- Utilities
- Water and wastewater services
- Topography
- Wetlands
- Flood hazards
- Soil conditions
- Environmental concerns
- Nearby jobs, schools, and services

What municipalities should look for

- Are major site issues identified?

- Does the study explain how challenges will be addressed?
- Are infrastructure needs clearly described?
- Are there environmental challenges?

Questions to ask

- Have all major site investigations been completed?
- Could unexpected site conditions increase costs?
- What infrastructure improvements are needed?

Watch for

- Site conditions that have not been fully evaluated.
- Environmental issues that remain unresolved.
- Infrastructure costs that appear incomplete.

4. Consider the Project Description

The project description explains what will be built.

What the developer provides

This section often includes:

- Site location
- Property size
- Existing conditions
- Number and size of buildings

- Number and type of housing units
- Parking
- Amenities
- Construction schedule and project phases

What municipalities should look for

- Is the project easy to understand?
- Does it fit local plans or housing priorities?
- Does the scale of the project seem reasonable for the site?

Questions to ask

- Why was this project design selected?
- Could the number or type of units change?
- How does this project meet local housing needs?
- Are there future phases planned?

Watch for

- Missing details about the project.
- Major pieces of the project that are described only generally.
- Housing types that do not match the stated market demand.
- Affordable housing commitments that are not clearly explained.
- Plans that appear to depend on future decisions that have not yet been made.

5. Examine the Regulatory Review

This section explains what approvals are needed before construction can begin.

What the developer provides

It often includes:

- Zoning and other local permits and approvals
- State and federal permits and compliance, such as water and wastewater, wetlands, stormwater, fire safety
- Utility approvals
- Transit district services

What municipalities should look for

- Are all required approvals identified?
- Are there approvals that may be difficult to obtain?

Questions to ask

- Which permits have already been received?
- Which approvals remain outstanding?
- Are variances or zoning changes needed?

Watch for

- Important permits that are not discussed.
- Approval timelines that appear overly optimistic.
- Significant regulatory issues that are treated as minor.

6. Learn the Development Costs

The construction cost analysis estimates how much the project will cost to build.

What the developer provides

Typical costs include:

- Land acquisition
- Site work
- Infrastructure construction
- Building construction
- Professional services
- Permits and fees
- Financing costs
- Contingency

What municipalities should look for

- Are costs organized and easy to understand?
- Does the estimate include a contingency for unexpected costs?

Questions to ask

- Which costs are based on contractor bids?
- Which costs are estimates?
- When were the estimates prepared and how recent of construction costs were used?

Watch for

- Cost estimates that are several years old or appear unusually low.

- Missing cost categories.
- Very small contingency amounts for a large project.

7. Consider the Operating Analysis

The operating analysis section estimates how the completed project will perform.

What the developer provides

It may include:

- Rental income
- Vacancy rates
- Operating expenses
- Maintenance costs
- Property management
- Replacement reserves

What municipalities should look for

- Are income and expenses reasonable?
- Are long-term maintenance costs included?

Questions to ask

- What vacancy rate was assumed?
- How were operating costs estimated?

- Have future repair costs been considered?

Watch for

- Very low operating expenses.
- Vacancy assumptions that seem unrealistic.
- Little or no funding planned for future repairs.

8. Examine the Financial Projections

The financial feasibility section brings together all project costs, financing, and expected income to determine whether the project is financially feasible.

What the developer provides

It often includes:

- Development budget
- Sources and uses of funds
- Loans
- Developer, owner or partner investment (equity)
- Grants
- Tax credits
- Local funding
- Philanthropic support
- Cash flow
- Financial returns

- Sensitivity analysis

What municipalities should look for

- Does the study explain why financing assistance is needed?
- Are the financial assumptions easy to understand?
- Are expected rent or sales prices reasonable?
- What vacancy assumptions are used?
- Are the net operating income and cash flow projections reasonable?
- Does the study test what happens if conditions change?

Questions to ask

- What assumptions have the greatest impact on the project's success?
- What happens if construction costs increase?
- What happens if rental income or sales costs are lower than expected?
- Can the project pay its bills and remain sustainable over time?

Watch for

- Financial projections based on only one scenario.
- No discussion of risks if costs increase or revenues decline.
- Requests for public assistance without explaining the financing gap.

9. Review the Risk Assessment

Every project carries risk. This section identifies the biggest risks that could affect the project.

What the developer provides

Examples of ricks that may occur include:

- Construction delays
- Labor shortages
- Cost increases
- Financing changes
- Market conditions
- Environmental issues
- Regulatory delays
- Changes in funding programs

What municipalities should look for

- Are the major risks clearly identified?
- Does the study explain how risks will be managed?
- What risks remain unresolved?

Questions to ask

- Which risks remain after construction begins?
- Which risks could affect the municipality?
- Who is responsible if costs increase or schedules slip?
- Are assumptions overly optimistic?

Watch for

- Risks that are mentioned but not addressed.
- Little discussion of how unexpected problems will be managed.
- Risks being shifted to the municipality without clear agreements.

10. Understand the Conclusions and Recommendations

The final section summarizes the study and recommends next steps.

What the developer provides

Common recommendations include:

- Move forward with the development.
- Revise the project design.
- Pursue additional funding.
- Complete further studies.
- Delay development.

What municipalities should look for

- Do the conclusions match the information presented throughout the study?
- Are recommendations supported by evidence?
- Are next steps clearly explained?

Questions to ask

- What needs to happen before construction begins?
- What additional information is still needed?
- How does this study support the request for CHIP participation?
- What decisions are required from the municipality?

Watch for

- Conclusions that are stronger than the evidence presented.

- Recommendations that rely on assumptions that have not been explained.
- Requests for public participation before key questions have been answered.

11. Consider Community Impacts

Housing development affects the broader community. Although it's not necessarily part of the development feasibility study, your municipality may want to consider how the development may affect the community before agreeing to move a project forward towards a CHIP application.

Look for:

Positive Impacts

- Increased housing supply
- Improved affordability
- Economic activity
- New tax revenue
- Support for local employers

Potential Challenges

- Traffic increases
- School enrollment impacts
- Utility demand
- Neighborhood concerns

Questions to ask:

- How will residents benefit?
- What public investments may be needed?
- Are concerns being addressed?

A feasibility study is a planning tool - not a guarantee that a project will succeed. Every study is built on assumptions about future costs, construction schedules, financing, and the housing market. Some assumptions will change as the project moves forward.

As a municipal official, your job is not to approve the developer's financial analysis. Your role is to understand the study, ask thoughtful questions, and determine whether the project, its assumptions, and the request for public participation are reasonable. Good questions early in the process can help reduce risk, improve decision-making, and build stronger partnerships between municipalities and developers.

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