Building a Strong CHIP

Public-Private Partnership

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A CHIP project brings a municipality and housing developer together to accomplish something neither may be able to do alone. The municipality may provide access to CHIP financing, infrastructure, local knowledge, and other support. The developer brings experience in housing development, construction, financing, and project delivery.

The two partners also bring different responsibilities, pressures, and risks to the project. Building a strong partnership can help them understand those differences, solve problems, and keep the project moving when challenges arise.

Here are several practices that can help municipalities build strong working relationships with housing developers.

Start with a Shared Understanding of the Project

Before committing to a project, make sure the municipality and developer understand what they are trying to accomplish together.

Start with the housing need or market problem the project is intended to address. Why is the housing not being built without public involvement? What is preventing the project from moving forward? How could CHIP help address that problem?

Then consider whether the municipality and developer share a vision for the project. They do not need to agree on everything. But they should understand what each partner hopes to accomplish and whether those goals can work together.

Municipalities should also consider how important the project is to the community. A project that addresses a major community need may justify a different level of municipal involvement than one of several possible development opportunities.

Get to Know Your Development Partner

A public-private partnership can last for years. Before making major commitments, learn about the people and organizations you will be working with.

Consider the developer's:

- experience with similar projects,
- financial capacity,
- project team,
- past performance, and
- ability to carry out its commitments.

Ask for references and follow up with them. Consider visiting completed projects, talking with the people who live there, and meeting other members of the development team. These steps can help municipal officials understand the developer's work and explain the proposed partnership to the community.

Experience is important, but it does not have to be the only consideration. A less experienced developer may have the ability to take on a project even without a long track record. The municipality should understand the added risk and decide whether the developer has the team, resources, and capacity needed to succeed.

Be a Partner That Developers Want to Work With

The municipality is evaluating the developer, but the developer is also evaluating the municipality.

Housing development requires significant investments of time and money. Developers need to decide where those investments have the best chance of producing a successful project.

This does not mean a municipality should approve every proposal or give a developer everything it asks for. It means municipal officials and staff should be clear about community expectations and willing to work through problems when a project supports community goals.

Developers can often tell whether a municipality is interested in finding a workable path forward. A municipality that tries to understand project needs, communicates clearly, and works toward solutions can be a more attractive development partner.

Understand What Each Partner Brings to the Project

Municipalities and developers approach a project from different positions.

A developer may be managing financing, construction costs, contractors, schedules, and the financial risk of the project. Municipal staff may be balancing the project with other responsibilities, while also answering to the legislative body and the public.

Understanding those differences can help both sides work together.

Talk openly about the risks each partner faces and who is best able to manage them. A risk should not automatically be shifted to the other party. Instead, consider which partner can best understand, control, or reduce it.

There is no formula that works for every project. These decisions require honest conversations about each partner's abilities and limitations.

For more help identifying and evaluating common project risks, see **Managing Risk in a CHIP Public-Private Partnership**.

Build the Right Municipal Team

A municipality does not need to become a housing developer to be a good development partner. It does need people who can help it make informed decisions.

Depending on the project, the municipal team might include staff, legal counsel, engineers, financial advisors, development consultants, or other professionals. Bringing the right expertise to the table can help the municipality understand unfamiliar real estate, financial, construction, and legal issues.

The internal municipal team also needs to work together. Staff and the legislative body should have a shared understanding of the project's goals, major issues, and the municipality's limits.

Before negotiations become difficult, municipal staff should know how much flexibility they have and when they need to return to the legislative body for direction.

Put Expectations in Writing

Trust is important, but trust should not replace clear documentation.

Written agreements can help both partners understand:

- who is responsible for each task,
- who will pay different costs,
- what information must be provided,
- important project milestones,
- when decisions need to be made, and
- what happens if circumstances change.

Early in a project, this might be addressed through a simple written understanding or a pre-development agreement. As the project advances, a development agreement and the CHIP Housing Infrastructure Agreement can provide more detailed requirements.

If timing is important, develop a shared project schedule. Identify the steps that must happen on time for the project to work and make sure everyone on the team understands them.

Communicate Before Something Goes Wrong

Do not wait for a problem to start communicating.

Set up regular ways to share information from the beginning. Make sure the municipality and developer are working with the same information. Talk about what is going well and what is not.

Good communication before a problem occurs makes difficult conversations easier when one does. If financing changes, construction costs increase, or an unexpected site condition appears, the partners already have a way to share information and work through options.

Communication also means being accessible to each other. Building relationships with the people making key decisions can make it easier to address difficult issues quickly.

Expect the Project to Change

Even a well-planned development project will encounter surprises.

Site conditions may be different from what the plans showed. Financing may change. Costs may increase. Permits may take longer than expected. A design that worked on paper may need to change during construction.

Strong partners are prepared to work through those changes together. That requires flexibility, communication, and a willingness to consider new solutions.

Being flexible does not mean saying yes to every request. The municipality should know its limits. If circumstances change, municipal leaders may need to reconsider how much risk they are willing to accept and whether the project still serves the public interest. Sometimes the right decision may be to change direction or stop pursuing a partnership.

Build Trust - and Back It Up with Good Project Practices

Trust develops over time. It grows when partners communicate openly, follow through on commitments, share difficult information, and work together when problems arise.

A good working relationship matters too. Public-private development becomes much harder when every conversation is adversarial. Municipalities and developers can have different interests while still treating each other as partners working toward a shared goal.

But trust alone is not enough.

Strong CHIP partnerships combine relationships with good project practices. Trust and communication help the partners work through unexpected problems. Written agreements, schedules, clear responsibilities, and documentation help protect both sides when questions arise.

You need both.

Key Takeaway

A strong CHIP partnership starts before an agreement is signed.

Understand the problem you are trying to solve. Learn about your potential partner and give them the opportunity to learn about your municipality. Build the right team. Be clear about responsibilities and expectations. Communicate early and often. And recognize that the project will probably change along the way.

The municipality and developer will not always have the same interests or face the same risks. They do not need to. A strong partnership gives them a way to understand those differences, make clear decisions, and work through challenges together.

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