



## Creating a Project Development Budget

*This worksheet is designed to help organizations estimate the total costs of their real estate project. The worksheet provides a step-by-step guide to creating a budget—a blank budget template is attached, which the IFF can email to you as a Microsoft Excel document with formulas.*

The attached development budget template is intended to encourage organizations to think through all the expenses associated with a real estate development project—from acquiring a building or vacant land through renovation or new construction of a facility—and to estimate all the costs associated with their project. With a comprehensive understanding of all the costs of a development project, your organization can determine the true feasibility and affordability of the project. Adjustments can be made to the project scope to bring the budget in line with your organization's means. A development budget is an ever-changing document until you have final bids from a contractor. It is critical to continuously update the budget as estimates become actual costs and to balance the total project costs with the total funds you have available to complete the project. The tendency is for all parties to low-ball estimates. Always, always include a contingency (*see definition below*)!

### Explanation of Development Budget Line Item Terms (Refer to the attached spreadsheet—we can email a spreadsheet to you upon request.)

#### A: Acquisition

##### Building/Land

Enter the acquisition price of the land or building.

##### Building Inspections

Enter an estimate of the total costs of your due diligence inspections. It is recommended that the following inspections be conducted to determine the condition and potential cost to repair the following items before you make an offer to purchase a building:

- Electrical
- Plumbing
- Mechanical
- Roofing
- Structural

*These worksheets are meant to provide introductory information and are not to replace the assistance of hired consultants and professionals.*

#### B: Construction (also known as Hard Costs)

##### Renovation Costs

Enter the cost per square foot for renovating an existing building as estimated by an architect, project manager, estimator or general contractor.

##### New Construction Costs

Enter the cost per square foot for new construction of a building as estimated by an architect, engineer or general contractor.

##### Construction Contingency

This is a set-aside for cost overruns. No project is ever designed perfectly—there will always be unforeseen conditions or mistakes in your drawings that will require a construction “change order”. A contingency budget for these unknown additions to your project. Fifteen percent of the construction budget is recommended as the amount of contingency for renovation projects. Ten percent of the construction costs is recommended as the amount of contingency for new construction projects.

##### Environmental Clean-up

If a Phase 2 (*see definition below under Section C*) environmental report indicates the need for environmental remediation of your building or land, enter the estimate from your environmental consultant or contractor.

##### Permit Fees, Tap Fees, Utility Charges

Contact your local building department and utility companies to inquire about these charges. Some municipalities waive permit fees for nonprofits.