



# Phase 1 Guide

## Concept Planning, Feasibility, and Due Diligence

### In This Guide

- 1. Getting started: Introduction
- 2. Key steps: Objectives and milestones
- 3. Learn more: Resources and references

### 1. Introduction to Concept Planning, Feasibility, and Due Diligence

*During the first phase of real estate development, you will identify the facility’s big-picture needs, such as the goals that will be achieved by building the structure and the people and businesses that will benefit from it when finished, determine the costs and potential barriers, and identify solutions to bring your vision to life.*

The *idea* of the project is the initial focus of the concept plan—the type of business, the motivation for it, its goals and core values. It represents the vision and conceptualization of the owners and/or founders. Sometimes, this is as simple as a “back of the napkin” drawing. Once you have developed the initial vision for the project, you will work with your team to conduct the research and investigations that determine whether the project is practical and lay the groundwork for further design and development.

Figure 1. Real Estate Development Process Overview



## 2. Objectives and Milestones

Objectives during the concept planning phase include

- Determining the needs and goals of a facility;
- Creating a funding strategy, preliminary budget, and timeline;
- Building relationships with project stakeholders; and
- Hiring the team that will be responsible for the entire development process.

Within the broader objectives of the phase, there are several specific activities that will lay the foundation for success. These activities include the feasibility study, site programming, site selection and due diligence tasks, and creating a business plan. These activities are discussed in the following sections.

Figure 2. Concept Planning Objectives and Activities

Determine the needs and goals of the facility	Build relationships with your stakeholders	Define your scope, preliminary budget, and schedule	Select key development team members
<ul style="list-style-type: none"> <li>• Conduct <b>feasibility study</b></li> <li>• Complete <b>site programming</b> with architect</li> <li>• Begin <b>site selection process &amp; due diligence</b></li> </ul>	<ul style="list-style-type: none"> <li>• Meet with local businesses, nonprofits, agencies, service partners, and clients</li> </ul>	<ul style="list-style-type: none"> <li>• Identify potential funding sources</li> <li>• Create a <b>business plan</b></li> </ul>	<ul style="list-style-type: none"> <li>• Contract with                             <ul style="list-style-type: none"> <li>• Real estate attorney</li> <li>• Construction manager</li> <li>• Architect</li> <li>• General Contractor</li> </ul> </li> </ul>

**Feasibility describes the determination that a project has the possibility of success and that funds for the project can be released with minimal risk.**

### What is a feasibility study?

A feasibility study uncovers the strengths and weaknesses of a proposed venture, its opportunities and threats, the resources needed to carry it through, and the practicality of proceeding. Factors explored include economic, technical, demographic, legal, competition, and organizational capacity. It is preferred, but not required, that a feasibility study be tied to a specific property and be completed within 30–60 days (or less).

Figure 3. Key Feasibility Factors

Economic	Technical	Demographic	Legal	Competition	Organizational Capacity
<ul style="list-style-type: none"> <li>• What are the costs?</li> <li>• What is the scope?</li> <li>• Will the project work at the desired budget?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the site suitable?</li> <li>• Does the site have the appropriate zoning?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the demand based upon the local population?</li> </ul>	<ul style="list-style-type: none"> <li>• Are there any laws or regulations that prevent the project from being built?</li> </ul>	<ul style="list-style-type: none"> <li>• What are the existing or planned facilities that offer the same services in the same area?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you have the resources available to take on the project?</li> </ul>

## Economic Feasibility

There are many considerations to determine whether a real estate project is economically feasible, including the following:

- Land purchase and acquisition costs
- Financing
- Professional fees
- Utility connection
- Impact fees
- Permit and review
- Construction costs
- Insurance
- Closing costs

It is also important to assess the expected income and revenue to ensure the project is viable. This information will help inform development of the business plan and budget.

## Technical Feasibility

**Site analysis** is the technical part of the feasibility study and focuses on whether the physical and environmental aspects of the site can support the project. It involves hiring an architect, civil engineer, and specialty consultants (utilities, environmental, legal) to design a preliminary **fit-study site plan** that describes the characteristics and size of the building that will “fit” on the property. Other tests and assessments, such as a geotechnical study, Phase 1 environmental assessment, and title report, are part of the site analysis. The output of the site analysis is the **site investigation report (SIR)**.

## 2.2. COMPLETE SITE PROGRAMMING

Scope should not be a quick process or afterthought. The better and earlier scope is defined, the better the design, cost estimates, value engineering, construction timeline, and buy-in from stakeholders will be. The project scope is an early decision point usually executed by the owner and the architect. **Site programming is a key activity to determine the scope of the project.**

Scope includes

- The type and focus of work performed,
- The geographic area served,
- The physical space,
- Services performed within the space, and
- Other foundational design elements.

### What is site programming?

Site programming is the first step in creating architectural drawings for the project and is a process that integrates the building requirements with the user requirements so specific design decisions and a detailed project budget can be developed. This process incorporates organizational, economic, and management goals into the intended function and purpose of the structure. Some owners complete this work on their own, but it is more typical to work with the architect as an add-on service to their standard contract.

This sets the tone for the remainder of the project planning. From here, the construction manager and architect can develop an initial budget for the building and a schedule for design and construction.

The following process site programming steps are adapted from suggestions for architects by the Whole Building Design Guide, a web-based portal developed by the National Institute of Building Sciences and supported by government agencies and industry partners alike.

Figure 4. Whole Building Design Guide Site Programming Steps

Steps	Description
<b>Research the project type</b>	Determine the types of spaces, number of square feet per person or unit, relationships between the spaces, ratios of net assignable square footage to gross square footage, cost, and site requirements typical for the type of project.
<b>Establish goals and objectives</b>	Review owner’s goals for the building—the organizational goals, the form and image goals, the function goals, the economic goals, the time goals, and the management goals.
<b>Gather relevant information</b>	Ask questions to gain a clear understanding of the project’s space needs and how that aligns with the building’s space. Take your time with this step—the more questions you ask now, the more accurate the site programming will be.
<b>Research the space requirements</b>	Establish the types of spaces needed for greatest efficiency and the size of the staff, including allocation of square feet per person or per unit for function and usage type, and the relationship of this space to adjoining space, accessibility, and any special requirements (such as for plumbing or electrical).
<b>Visualize it</b>	Now that you know how each room will be used, put it into a bubble diagram so you can see how the spaces fit together, traffic patterns, and points of congestion.
<b>Summarize and produce a budget</b>	At this point, the architect will develop a total cost and scope of work for the project that incorporates all design and contingencies identified during site programming in addition to construction and other phases.

### 2.3. BEGIN SITE SELECTION AND DUE DILIGENCE

**If you have not yet purchased a property, your path will be slightly different, and you will need to begin the acquisition process. This requires performing the feasibility study, site analysis, and complete due diligence before making a firm offer to buy.**

#### What is due diligence?

Due diligence is the research conducted before engaging in an acquisition transaction to determine the associated risks, so you are sure you are buying a feasible property. You must write a Letter of Interest and place earnest money in escrow to prevent sale of the property to someone else while you perform due diligence, which will include financial, physical, and legal investigations. There are various forms of **site control**, which refers to the “right to acquire or lease the site” (Corporation for Supportive Housing, 2013).

Before investing money in due diligence for a property that may turn out to be unfeasible, enlist the aid of a commercial realtor with experience in this type of transaction. Their expertise can help you recognize and avoid unsuitable properties early in the process.

### 2.4. MEET WITH STAKEHOLDERS

**Stakeholders include local businesses, nonprofit organizations, authorities and agencies, professional organizations, service partners, and clients.** Relationships you build throughout the life cycle of your project can provide valuable support and help you navigate “Not in My Backyard” (NIMBY) concerns.

- One of your most important tools in building trust with your community is data. Traffic studies, property tax history, school ratings, and other types of community impact data can help convince those who may oppose your project that it will have a positive effect on the community.
- Another key strategy is hiring local team members. Trusted longtime residents may have relationships that are as valuable as their experience.

## 2.5. DEVELOP A BUSINESS PLAN

### What is a business plan?

The business plan serves as a road map providing direction to the business and as a comprehensive resource for those who have interest in its operations and business potential (U.S. Small Business Administration, n.d.). A business plan is a formal written document, intended to be publicly shared with banks and other funders, city governments, collaborators, private investors, and others with an interest in the project and its sustainability. It contains

- The **goals** of the project,
- **Methods** for attaining those goals,
- The **time frame** for achieving the goals,
- And the **cost** of pursuing them.

It also describes the parent organization, the nature of its business, the organization’s financial projections, and the strategies it intends to implement to achieve project success.

Risk factors, sometimes called threats, are an integral part of a business plan. It is essential to understand the financial risks you are taking by investing in the physical growth and/or preservation of your facility. You include these so that you can provide contingency planning to demonstrate your strategic thinking and ability to switch quickly to alternate actions devised through “what if” scenarios. Investors and grant makers want to see that you can recognize risk and know how to respond when it becomes threatening.

*A variety of business plan samples for every type of entity, from the small startup to the expanding corporation, and accompanying directions can be found at the U.S. Small Business Administration website.*

## 2.6. SELECT YOUR DEVELOPMENT TEAM MEMBERS

**Most of your primary development team members should be identified and contracted during the concept planning phase.** As shown in the following table, your attorney, architect, construction manager, civil engineer, and realtor all play important roles.

Figure 5. Development Team Member Roles During Phase 1

	Concept Plan	Scope	Feasibility	Site Programming	Budget and Business Plan	Acquisition and Due Diligence	Build Relationships
Attorney	X		X		X	X	X
Architect		X	X	X	X	X	X
Construction Manager		X	X	X	X	X	X
Civil Engineer			X			X	X
Realtor						X	X

Learn more about the roles of specific team members and the process of selecting and contracting in the Guide to Your Development Team.

## 3. Resources and References

### Resources

#### Site Selection and Working with Stakeholders

- In [A Guide to Successful Siting Strategies: Ensuring Delivery of Mental Health Services and Supportive Housing in Community Settings](#), the County of Los Angeles Department of Mental Health provides helpful information on identifying and building relationships with stakeholders.

#### Feasibility Studies

- In this blog post, "[Why a Real Estate Feasibility Study Is Vital to Your Development Project](#)," a Colorado real estate development company breaks down different elements of a feasibility study and discusses its importance.
- The U.S. Department of Agriculture developed an in-depth report on feasibility studies titled [Vital Steps: A Cooperative Feasibility Study Guide](#). Its intended audience is rural residents.

#### Business Plans

- The U.S. Small Business Administration's [Write Your Business Plan](#) webpage provides helpful information and templates.

#### Due Diligence

- The [Due Diligence Checklist for Commercial Real Estate Acquisitions](#) was written by an attorney at the law firm of Thompson Coburn LLP. It is a straightforward summary of a complex process.
- In this blog post, First National Realty Partners, a New Jersey-based firm, discusses the details of [Conducting Thorough Due Diligence](#).

#### Development Team Roles

- Learn more about the differences in responsibility between the architect and construction manager in this infographic, [Architecture & Construction Management: From the Ground Up](#), produced by the New School of Architecture and Design.

#### Site Control

- In [Establishing Site Control](#), the Corporation for Supportive Housing provides a brief overview of the different forms of site control and negotiating a purchase agreement.

#### Site Programming

- The Whole Building Design Guide, a web-based portal developed by the National Institute of Building Sciences and supported by government agencies and industry partners, provides straightforward guidance about site programming on its [Architectural Programming](#) page.
- In [The Visioning Process: Collaboration Is Crucial to Success](#), a Massachusetts-based architectural firm provides an overview of the visioning and site programming process.

### References

Corporation for Supportive Housing. (2013). *Establishing site control*. [https://www.csh.org/wp-content/uploads/2013/09/SiteControl\\_F.pdf](https://www.csh.org/wp-content/uploads/2013/09/SiteControl_F.pdf)

County of Los Angeles Department of Mental Health. (2010). *A guide to successful siting strategies: Ensuring delivery of mental health services and supportive housing in community settings*. [A Guide to Successful Siting Strategies: Ensuring Delivery of Mental Health Services and Supportive Housing in Community Settings](#)

U.S. Small Business Administration. (n.d.). *Write your business plan*. <https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>

