



REAL ESTATE DEVELOPMENT

# *Redevelopment* Guidebook.

*A practical resource for rehabbing and building better housing  
in Midland County and the Region G Housing Partnership.*

## *Restore.*

Bring older homes back into productive use, where they fit naturally into existing neighborhoods.

## *Build forward.*

Add attainable workforce housing on infill lots, small multi-unit sites, and Permit-Ready plans.

## *Make Midland work.*

For the people who keep it working: teachers, tradespeople, first responders, seniors, families.

## SECTION I · ORIENTATION

# About this *guidebook.*

*A field manual for the practical work of restoring, rehabilitating, and building attainable housing across Midland County.*

Real estate development is one of the most powerful tools a community has to create attainable housing. This guidebook is written for the developers, builders, real estate professionals, and emerging investors doing that work in Midland County and the surrounding Region G.

It compiles the practical steps, financing pathways, contractor protocols, and Michigan-specific programs that determine whether a project pencils out. Where the conversation often turns abstract, this book stays operational: written for the person walking the property, writing the bid, and meeting the lender.

The 2025 Regional Housing Study found the largest segment of available housing (50.7%) priced under \$200,000. The deepest unmet needs are rentals below 60% of area median income and workforce homes between 80% and 120% AMI. The opportunity is significant, and the work is technical.

This is a living resource. Update it as programs, codes, and market conditions change. Bring questions to Housing Forward and our partners; we are here to help you build forward.

## — WHY THIS GUIDEBOOK EXISTS

*A growing region needs more well-built, well-priced homes. This book is the operational companion: every step, every form, every Michigan-specific program, in the order you'll need them.*

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HOUSING FORWARD · MIDLAND BUSINESS ALLIANCE  
REGION G HOUSING PARTNERSHIP · PREPARED BY JENIFER ACOSTA ·  
ACOSTA DEVELOPMENT



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## CHAPTER 01

## 01

# Introduction & overview.

*Restoring old homes, providing needed housing, and contributing to community growth. The opportunity in Midland is significant, and the work is technical.*

Real estate development presents a unique opportunity to restore older homes, provide much-needed housing, and contribute to the community's growth. With a housing inventory where the median home is more than 50 years old, the demand for rehabilitation and new housing is significant.

Before starting a project, consider your motivation. Are you revitalizing historic homes, improving options for local workers, or investing for long-term returns? A clear goal will guide your decisions. With the median household income at \$59,224, affordability is a key consideration.

Understanding the local market is crucial. The most significant housing shortages are for **rentals at less than 60% AMI** and **homes for sale at workforce price points (80% to 120% AMI)**. In the 2025 Regional Housing Study, 50.7% of available homes were priced under \$200,000.

*At a glance, where demand sits.*

#### AVAILABLE INVENTORY

## 50.7%

Of homes available on market priced under \$200,000 in the 2025 Regional Housing Study.

#### YEAR-OVER-YEAR

## 8.1%

Home value growth, signaling continued buyer demand for well-positioned rehabs.

#### MEDIAN AGE OF HOMES

## 50+ years

Most Midland homes are old enough that systems and envelope upgrades drive value.

#### WHERE THE DEEPEST UNMET NEED SITS

**Rentals below 60% AMI and for-sale homes at workforce prices (80% to 120% AMI).** Projects that respond to clear gaps in the market tend to perform best, attract financing more easily, and serve the people who keep the community working.

## CHAPTER 02

## 02

# Understanding the *development* process.

*Every successful project begins with the right product for the right market. Six stages, in order, from feasibility to operations.*

For any real estate project, large or small, it is essential to understand the overall development process. Start by identifying your target market. Young professionals near downtown? Seniors looking to downsize? Families needing workforce-priced housing? Once the market is clear, decide what to develop. For new developers, starting with small projects provides valuable experience while minimizing financial risk.

## Six stages, *in sequence.*

## 01

**FEASIBILITY & ACQUISITION**

Analyze site, market, demand, costs. Check zoning, evaluate structures, make offers.

## 02

**DESIGN**

Floor plans, elevations, accessibility, site layout. Balance creativity with code compliance.

## 03

**FINANCING**

Finalize the capital stack: equity, bank loans, investor capital, incentive programs.

## 04

**CONSTRUCTION**

Hire contractors, manage site, schedule inspections. Prioritize systems before cosmetics.

## 05

**LEASE OR SALE**

Launch marketing near completion. The story of the project drives community-minded buyers.

## 06

**OPERATIONS**

Rentals: leasing, maintenance, management. For-sale: warranty, customer care, turnover.

**START SMALL, SCALE DELIBERATELY**

Because the housing inventory is dominated by older homes, focus on projects that modernize existing structures while preserving their historic character. Smaller projects build the experience needed for larger ones.

CHAPTER 03

03

# Assembling financing.

*Each project operates as its own business. A clear, layered capital plan is what makes deals close.*

Before approaching a bank, ensure you have a legally registered business entity, a strong personal and business credit history, and a well-thought-out business plan. Lenders evaluate based on financial standing, project feasibility, and risk.

**BANK PACKAGE**

- **Project overview** — description, location, size, intended use
- **Market analysis** — local demand, rental rates, sales trends, comps
- **Financial projections** — costs, revenue, ROI
- **Exit strategy** — sell or hold long-term
- **Project timeline** — completion and lease/sales phases

**DOCUMENTS TO HAVE READY**

- Business and personal tax returns (last 2 to 3 years)
- Personal and business bank statements
- Credit reports
- Detailed proforma with cost breakdowns
- Property appraisals and feasibility studies
- Construction budgets and contractor bids
- Lease agreements (if applicable)
- Title reports and site surveys

## Common loan types, *by use.*

| LOAN TYPE     | BEST FOR                           | NOTE                                 |
|---------------|------------------------------------|--------------------------------------|
| ACQUISITION   | Site purchase before improvements  | Bridges to construction or perm      |
| CONSTRUCTION  | Active rehab or new build          | Drawn in stages tied to milestones   |
| BRIDGE        | Closing speed on a distressed deal | Higher rate, short term              |
| PERMANENT     | Long-term hold after stabilization | Refinances out the construction loan |
| SBA / FEDERAL | Mixed-use, owner-occupant, rural   | FHA 203k, USDA, SBA 504/7(a)         |

**STACK MULTIPLE SOURCES WHEN NEEDED**

Programs such as **Tax Increment Financing (TIF)** and the **Obsolete Property Rehabilitation Act (OPRA)** offer relief for renovations. **MSHDA** provides grants and low-interest loans. Federal options include **FHA 203(k)**, **LIHTC**, and **USDA** programs. See Appendix K for the full quick-reference matrix.

## CHAPTER 04

## 04

# Finding & securing your site.

*In most communities, the housing stock is aging single-family homes. Developers have a unique chance to revitalize existing structures or build infill that meets modern standards.*

Homes sold at a median price of \$199,700 and average size of 1,590 square feet in the 2025 Regional Housing Study, signaling opportunity for well-positioned, thoughtfully upgraded housing. Begin with a clear vision of your budget, product type, and development goals. A **local real estate agent** who understands the market is one of the most valuable partnerships a developer can make.

## ● WHEN WORKING WITH A REALTOR

- Communicate what you are looking for — single-family rehabs, small multi-unit, vacant lots
- Share purchase budget and pre-approval letters
- Ask about deal timelines and contingency norms in the local market
- Request comparable property values and market rents

## ● DUE DILIGENCE ESSENTIALS

- Order a professional home inspection covering all major systems
- Walk the lot: drainage, access, visibility
- Confirm zoning permits your intended use
- Review utility access: water, sewer, electricity, broadband
- Investigate environmental concerns on industrial/commercial sites

## CRITICAL CONTRACT LANGUAGE

Make purchase agreements **contingent upon inspection**, using language that allows the buyer to withdraw at **their sole satisfaction**. This gives you a critical off-ramp if major problems are uncovered, and protects your upfront capital.

## — SITE SELECTION RULE OF THUMB

*Walkable to downtown, schools, parks, or recreation trails. These locations attract first-time buyers, retirees, and remote workers — and resell or re-rent fastest.*

Given the city's need for homes priced above \$100,000 and limited inventory at workforce price points, sites that can be improved to fill that gap are particularly promising. Focus on locations walkable to downtown, schools, parks, or recreation trails.

## CHAPTER 05

## 05

# Designing your project.

*Preserve what is beautiful. Modernize what is needed.*  
With a regional median home value of \$199,700, the design decisions you make determine whether the math works.

Prioritize energy efficiency, functional layouts, and durable materials. Flexible spaces that accommodate multi-generational living, aging in place, and remote work make properties more attractive to a diverse range of buyers and renters.

## ✓ PRESERVE WHAT IS BEAUTIFUL

- Original woodwork, window trim, porches
- Facades and historic exterior details
- Hardwood floors, plaster moldings
- Architectural roof profiles
- Mature landscaping where viable

## ● MODERNIZE WHAT IS NEEDED

- Insulation, high-efficiency HVAC, LED lighting
- Energy Star windows and appliances
- Improved layouts that open spaces, add storage
- Modern kitchens and bathrooms
- Aging-in-place features and accessibility

## Permit-ready plans, from *MiPlace.org*.

### ● WHAT THEY OFFER

- Flexible lot orientation, fit narrow or infill parcels
- Attractive curb appeal, minimal construction complexity
- Standard, widely available materials to control cost
- Energy-efficient layouts aligned with affordability
- Satisfy Michigan Residential Code (2015)

### ● AVAILABLE PLAN TYPES

- Two-story family homes for smaller lots
- Single-story ranches for accessibility and seniors
- Accessory Dwelling Units (ADUs)
- Cottage-style homes for cottage courts and pocket neighborhoods

### DESIGN STRATEGIES CHECKLIST · HIGHLIGHTS

Preserve historic character where feasible. Improve energy efficiency. **Prioritize building envelope first:** roof, siding, windows, foundation. Use durable, low-maintenance materials (LVP, fiber cement siding, solid-surface counters). Build in flexibility — at least one flex space, aging-in-place features. Include functional storage, open-concept living, dedicated remote-work space. Don't skimp on curb appeal.

## CHAPTER 06

## 06

# Getting it constructed.

*Construction management keeps projects on time, on budget, and aligned with code. On rehabs, systems first. Cosmetics follow.*

A comprehensive home inspection is essential before beginning any rehabilitation project. With the median home more than 50 years old, many properties have endured decades of disinvestment or deferred maintenance. **Inspect the core systems first.**

## Five core systems, inspected first.

01

**STRUCTURAL INTEGRITY**

Foundations, load-bearing walls, framing. Cracked foundations or sagging floors are major safety concerns and expensive repairs.

02

**ELECTRICAL**

Older homes often have outdated or unsafe wiring. Ensure panels, wiring, and outlets meet code and handle modern loads.

03

**HVAC**

Heating must be efficient and safe, especially in Michigan winters. Proper ventilation prevents moisture and mold.

04

**PLUMBING**

Many aging homes have corroded pipes. Inspect water lines, sewer connections, and drainage early.

05

**BUILDING ENVELOPE**

Roof, siding, windows, insulation. Weather-tight exterior and proper insulation lower utility costs and prevent damage.

06

**INTERIOR, LAST**

Kitchen and bath upgrades, storage, flooring, lighting, paint. These follow essential repairs, never lead them.

**COSMETIC-FIRST IS THE MOST COMMON ROOKIE MISTAKE**

Stabilize the envelope and systems first. Pull **all required permits** and schedule inspections at critical points. Manage labor costs, secure quality materials, and keep communication with contractors clear. **Secure skilled labor early** — see Appendix E for vetting.

## CHAPTER 07

## 07

# Selling, holding & *managing.*

*Once construction wraps, the question is sell or hold. Both work in Midland. The math, and your goals, determine which.*

Selling homes at workforce price points, where inventory is limited and demand is high, can be a profitable strategy. Working with real estate professionals to stage and market properties effectively will help attract buyers.

## Maximize the value of your sale.

### ✓ FOR SALE

- Work with a local realtor who can price strategically
- Stage with simple furnishings to highlight space and function
- Highlight upgrades: energy efficiency, new roof, kitchen, bath, aging-in-place
- Use high-quality photography and storytelling that communicates investment in the home and neighborhood

### ● HOLD & MANAGE AS A RENTAL

- **Tenant screening:** credit, references, stable income; consider a local property manager
- **Maintenance planning:** monthly reserve; preventative protects the asset
- **Compliance:** meet building code and rental licensing
- **Financial modeling:** structure rents to cover insurance, taxes, maintenance

### WHERE THE RENTAL OPPORTUNITY SITS

Most available multifamily units are in older homes or subsidized properties. **Market-rate rentals that are well-maintained, energy-efficient, and thoughtfully designed are rare**, especially for professionals, small families, and retirees who want to stay in the community without the responsibility of homeownership.

### — WHY HOLD BECOMES ATTRACTIVE

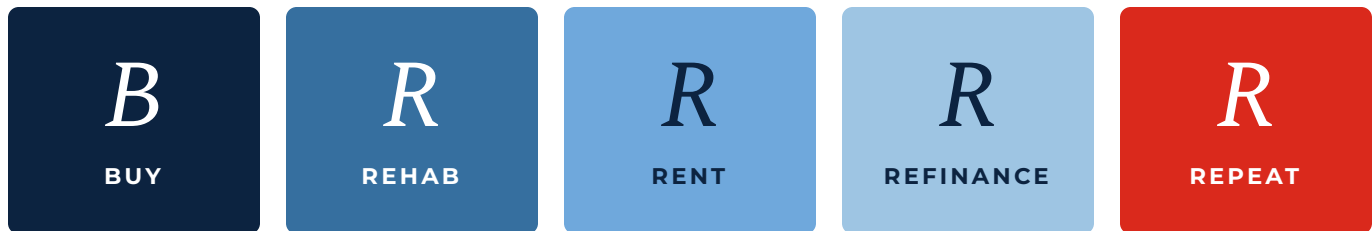
*A well-maintained, energy-efficient rental at workforce price points is genuinely rare in Midland. The waitlist often forms before the listing.*

## CHAPTER 08

## 08

# The *BRRRR* method.

*Buy. Rehab. Rent. Refinance. Repeat.* A long-term strategy for building a rental portfolio by recycling capital across multiple deals.



The BRRRR method pairs well with single-family rehabs, the kind of project this guidebook focuses on. Done well, it lets a developer build a rental portfolio over years using the equity created in each rehab to seed the next.

## What it produces.

### ● LOW INITIAL INVESTMENT

Leverages debt to finance both purchase and renovation, freeing up your equity for the next deal.

### ● PASSIVE INCOME

By renting the property, you generate consistent income while it appreciates.

### ● CAPITAL GROWTH

The method lets you grow your portfolio and build wealth by repeating the cycle.

### ● FINANCIAL FREEDOM

By leveraging equity and generating income, BRRRR can be a path to financial freedom.

#### COMPANION READ

**David Greene**, *Buy, Rehab, Rent, Refinance, Repeat* (BiggerPockets). Pair with *The Book on Estimating Rehab Costs* by J Scott to dial in your scope and budgets. See Appendix C for the full reading list.

## CHAPTER 09

## 09

# Proforma Lite project tool.

*Every project starts with one question: will this work financially? The proforma is the tool to answer it.*

A back-of-the-envelope analysis that helps you determine whether a deal is feasible, and if so, whether it is worth pursuing. The Proforma Lite tool includes separate worksheets for for-sale and rental analysis. **Run both before committing to a deal.**

## ● FOR-SALE PROJECTS · RENOVATION FEASIBILITY

The **RENOVATION FOR SALE PROFORMA** tab helps you determine if your project will return a profit once sold.

- Enter your purchase price, renovation budget, and soft costs (closing, holding).
- Input your expected sale price based on comparable sales in the area.
- The spreadsheet calculates your project cost, net proceeds, and estimated profit.

## ● RENTAL PROJECTS · CASH FLOW & FINANCING

The **RENTAL PROFORMA** tab helps you evaluate if your rental will cover costs and still return a profit.

- Input rents, vacancy assumptions, and annual operating expenses.
- Input acquisition and rehab costs; calculate loan amount from mortgage terms.
- The spreadsheet calculates annual cash flow and Debt Service Coverage Ratio (DSCR).

### RULES OF THUMB

Build in at least a **10% to 15% profit margin on flips** to account for surprises. Target **DSCR ≥ 1.25 on rental deals**; most lenders require this minimum. Always run *both* proformas before committing — you may discover the rental strategy works better than selling (or vice versa).

### QUICK SCREEN: THE 70% RULE

**Maximum offer = (ARV × 70%) – repairs.** Use as a screen, not a substitute for full proforma analysis. See Appendix I for the comp analysis worksheet that defends your ARV.

## SECTION II

# Practical tools *for every* project.

*Fifteen worksheets, checklists, and reference matrices, in the order you will reach for them.*

## APPENDIX A

# Rehab due diligence checklist.

*Built for small developers rehabbing one- to four-unit residential properties. Use one per property, drive-by to close.*

## PRE-OFFER

- Drive-by and walk the surrounding block. Note nuisance properties, traffic, sight lines.
- Confirm zoning permits your intended use.
- Pull tax history and special assessments from the county treasurer.
- Pull three to six comparable closed sales within the last 6 months. Identify ARV.
- Check rental licensing rules if you plan to lease.
- Search for open code violations or unsafe-structure orders.

## OFFER & CONTRACT

- Inspection contingency with buyer's sole satisfaction language.
- Earnest money held by neutral third party.
- Seller disclosure form reviewed for known defects.
- Financing contingency aligned with lender's appraisal/underwriting timeline.
- Right to access for additional inspections.

## PROPERTY CONDITION

- Full home inspection by licensed inspector.
- Chimney Level 2 inspection if flue will be reused.
- Radon test.
- Lead-based paint disclosure and risk assessment on pre-1978 homes.
- Termite and wood-destroying insect inspection.
- Sewer line scope on homes with lines older than 30 years.
- Well and septic inspection on rural properties.
- Mold assessment if signs of moisture damage.
- Asbestos inspection on pre-1980 homes (popcorn ceilings, vinyl flooring, pipe wrap).
- Roof remaining useful life estimate.

## APPENDIX A · CONTINUED

*Due diligence, continued.***TITLE & LEGAL**

- Title commitment ordered.
- Easements, deed restrictions, recorded covenants reviewed.
- Special assessment search at city and county.
- Judgment, lien, and bankruptcy search on seller.
- Tax status confirmed: current, delinquencies, PRE status.

**ZONING & USE**

- Written confirmation of permitted use from zoning administrator.
- Historic district overlay review.
- ADU permissibility, setback rules, lot coverage limits.
- Short-term rental rules if applicable.

**ENVIRONMENTAL**

- FEMA flood map review and flood determination if near water.
- Baseline Environmental Assessment (BEA) review if needed.
- Phase I Environmental Site Assessment for prior commercial/industrial use.

**FINANCIAL CONFIRMATION**

- Firm ARV from three closed comps.
- Soft cost reserve calculated (see Appendix H).
- Holding cost projection across estimated rehab months.
- Three written contractor bids on major scope items.
- Contingency: 10% minimum, 20% on pre-1950 homes or full guts.

**UTILITIES, INSURANCE, PERMITS & CLOSEOUT**

- Water, sewer, gas, electric, broadband confirmed available.
- General liability insurance quoted.
- Inspection touchpoints mapped (see Appendix G).
- Lien waivers collected before final draw.
- Builders risk insurance quoted with vacancy clause.
- All required permits listed; who pulls each confirmed.
- Final walkthrough, utility transfer, insurance binders, keys/codes managed at close.

## APPENDIX B

# Common rehab mistakes.

*The issues that most often blow up rehab budgets or timelines. If you do nothing else, run this list before every project.*

- |  |   |
|--|---|
| <p><b>01 SKIPPING THE SEWER LINE SCOPE</b><br/>A \$250 to \$500 camera inspection prevents \$5,000 to \$20,000 repairs.</p>                    | <p><b>02 MISSING DANGEROUS WIRING</b><br/>Knob-and-tube, FPE/Zinsco panels, and aluminum branch are insurance disqualifiers.</p>                    |
| <p><b>03 PRE-1978 WITHOUT LEAD-SAFE BUDGETING</b><br/>EPA RRP Rule requires certified practices on painted surfaces. Federal penalty risk.</p> | <p><b>04 UNDERESTIMATING FOUNDATION &amp; WATERPROOFING</b><br/>Wet basements are the most expensive surprise in older Michigan homes.</p>          |
| <p><b>05 SKIPPING THE RADON TEST</b><br/>Mitigation runs \$1,000 to \$2,500. Lenders and buyers increasingly require results.</p>              | <p><b>06 OVERLOOKING ASBESTOS</b><br/>Pre-1980 popcorn, 9x9 tile, sheet flooring, pipe wrap, some siding. Test before demo.</p>                     |
| <p><b>07 PRICING FROM WALKTHROUGH</b><br/>Walk-through estimates are 30% to 50% low on average. Get three written bids.</p>                    | <p><b>08 COSMETIC-FIRST BUDGETING</b><br/>Paint and flooring before envelope and systems is the most common rookie mistake.</p>                     |
| <p><b>09 NO PERMITS PULLED</b><br/>Saves \$200 today, costs \$10,000 at resale or rental licensing inspection.</p>                             | <p><b>10 SKIPPING WELL &amp; SEPTIC ON RURAL</b><br/>Failed drainfields run \$8,000 to \$25,000. Water tests catch bacterial, nitrate, arsenic.</p> |
| <p><b>11 SKIPPING LEVEL 2 CHIMNEY</b><br/>Cracked liners are common. Using the fireplace first risks a chimney fire.</p>                       | <p><b>12 UNDER-RESERVING CONTINGENCY</b><br/>10% on cosmetic; 20% on pre-1950 or full guts. The number you skip is the number you spend.</p>        |
| <p><b>13 FORGETTING SOFT COSTS</b><br/>Utilities, financing fees, builders risk, dumpsters, holding adds 8% to 15% to total.</p>               | <p><b>14 CHOOSING TRENDY FINISHES</b><br/>A finish that dates the home in three years costs you on resale.</p>                                      |
| <p><b>15 DIY PAST LICENSED BOUNDARIES</b><br/>Electrical, plumbing, mechanical, structural require licensed pros in Michigan.</p>              | <p><b>16 NO FLOOD ZONE DETERMINATION</b><br/>FEMA maps shift. Insurance can run \$1,500 to \$4,000 per year if you miss this.</p>                   |
| <p><b>17 ARV BASED ON HOPE</b><br/>Pull three closed comparables, same neighborhood, last 6 months.</p>  | <p><b>18 UNLICENSED OR UNINSURED CONTRACTORS</b><br/>Save 15% today, lose six figures in liability tomorrow.</p>                                    |
| <p><b>19 NO WRITTEN CHANGE-ORDER PROCESS</b><br/>Verbal changes turn into invoice disputes. Every change in writing, signed before work.</p>   | <p><b>20 SKIPPING CHIMNEY, ATTIC, CRAWLSPACE</b><br/>Three places where deferred maintenance hides. Inspect every time.</p>                         |

## APPENDIX C

# Recommended reading & resources.

A curated library for small developers and rehabbers. Read in roughly this order if you are new to the work.

## Foundations.

### THE BOOK ON ESTIMATING REHAB COSTS

J Scott · BiggerPockets. The single best book to learn how to scope and price a rehab line by line.

### THE BOOK ON FLIPPING HOUSES

J Scott · BiggerPockets. Companion volume covering the flip workflow end to end.

### BUILDING WEALTH ONE HOUSE AT A TIME

John Schaub. Long-term, low-leverage rental investing.

### WHAT EVERY INVESTOR NEEDS TO KNOW ABOUT CASH FLOW

Frank Gallinelli. The most accessible primer on rental math: cap rate, NOI, DSCR, IRR.

## Strategy.

### BUY, REHAB, RENT, REFINANCE, REPEAT

David Greene. The BRRRR playbook. Pairs with Chapter 8 of this guidebook.

### LONG-DISTANCE REAL ESTATE INVESTING

David Greene. Systems for managing a portfolio outside your hometown.

### SET FOR LIFE

Scott Trench · BiggerPockets. Financial foundation for getting to your first deal.

## Construction reference.

### RENOVATION, 5TH EDITION

Michael Litchfield · Taunton Press. Field reference for nearly any renovation problem in an older home.

### CODE CHECK SERIES

Taunton Press. Quick-reference field guides for building, plumbing, electrical, mechanical.

### RSMEANS RESIDENTIAL COST DATA

Annual. Industry standard for unit-cost estimating.

## Online tools.

- BiggerPockets forums and calculators · [biggerpockets.com](http://biggerpockets.com)
- MSHDA Developer Toolkit · [michigan.gov/mshda](http://michigan.gov/mshda)
- MEDC Proforma 101 · [michiganbusiness.org](http://michiganbusiness.org)
- MiPlace.org Permit-Ready Housing Plans
- MDHHS Weatherization Program · [michigan.gov/mdhhs](http://michigan.gov/mdhhs)

## APPENDIX D

# Weatherization & CDBG pathway.

Two contracting opportunities for small developers and contractors. Both stabilize cash flow and build relationships that lead to off-market acquisitions.

## IMPORTANT CLARIFICATION

These are **different programs run by different state agencies**. MSHDA administers CDBG / MI Neighborhood for non-entitlement communities. MDHHS administers the Weatherization Assistance Program through local Community Action Agencies (CAAs).

## Two programs at a glance.

| PROGRAM                | WHAT IT FUNDS  | ADMINISTRATOR | AWARDED BY                  |
|------------------------|--|---------------|-----------------------------|
| WEATHERIZATION (WAP)   | Free energy efficiency upgrades for income-eligible households           | MDHHS         | Community Action Agencies   |
| CDBG / MI NEIGHBORHOOD | Housing rehab, demo/reconstruct, infrastructure in non-entitlement areas | MSHDA         | Cities, townships, counties |

## Preferred contractor pathway.

### BUSINESS SETUP & INSURANCE

- Registered Michigan business entity
- Michigan Residential Builder license
- Workers comp for any W-2 staff
- EIN issued
- General liability insurance (\$1M+ common)

### VENDOR REGISTRATIONS & CERTIFICATIONS

- SIGMA VSS for state bids
- EPA RRP Certified Renovator
- BPI Building Analyst
- BidNet / MITN for local RFPs
- EPA Lead-Safe Firm
- BPI Envelope Professional

### WHY IT MATTERS

Smooths cash flow between flips. Builds relationships with municipal staff who first learn about distressed properties. Opens the door to MSHDA's broader developer programs (LIHTC, MI Neighborhood, Housing Resource Funds).

APPENDIX E

# Contractor vetting + *bid comparison.*

## Vetting checklist.

For every contractor before issuing a contract.

- Michigan Builder license verified (LARA tool)
- Workers comp certificate
- Three references called and confirmed
- BBB or online review check
- Written line-item bid, not lump sum
- Lien waiver requirement at each draw
- Certificate of general liability, \$1M+
- EPA RRP Firm certification (pre-1978)
- Two job-site visits to active projects
- Past lien history search
- Payment schedule tied to milestones

## Bid comparison worksheet.

| SCOPE CATEGORY          | CONTRACTOR A | CONTRACTOR B | CONTRACTOR C | NOTES |
|-------------------------|--------------|--------------|--------------|-------|
| DEMO & DISPOSAL         | \$           | \$           | \$           |       |
| FOUNDATION & STRUCTURAL | \$           | \$           | \$           |       |
| ROOFING                 | \$           | \$           | \$           |       |
| SIDING & EXTERIOR       | \$           | \$           | \$           |       |
| WINDOWS & DOORS         | \$           | \$           | \$           |       |
| PLUMBING                | \$           | \$           | \$           |       |
| ELECTRICAL              | \$           | \$           | \$           |       |
| HVAC                    | \$           | \$           | \$           |       |
| INSULATION              | \$           | \$           | \$           |       |
| DRYWALL & PAINT         | \$           | \$           | \$           |       |
| FLOORING                | \$           | \$           | \$           |       |
| CABINETS & COUNTERS     | \$           | \$           | \$           |       |
| TRIM & DOORS            | \$           | \$           | \$           |       |
| TOTAL                   | \$           | \$           | \$           |       |

**RED FLAGS IN BIDDING**

Bids 20%+ below median (likely missing scope or under-priced labor). Lump-sum-only bids. No insurance certificate. No references. Push to start without a written contract.

## APPENDIX F

# Renovation scope of work template.

A scope of work protects both you and the contractor. Use this template for every project.

## Project information.

### PROJECT ADDRESS

### OWNER

### CONTRACTOR

### START DATE

### COMPLETION DATE

### TOTAL CONTRACT AMOUNT

\$

## General provisions.

- All work shall comply with the Michigan Residential Code and local ordinances.
- Permits pulled by owner or contractor, inspections scheduled by the same.
- Contractor warrants work for one year from substantial completion.
- Contractor provides certificate of insurance prior to mobilization.
- Lien waivers required at each draw.
- Change orders must be in writing, signed before work proceeds.

## Payment schedule.

| MILESTONE                                     | % OF CONTRACT | LIEN WAIVER |
|---|---------------|-------------|
| MOBILIZATION                                  | 10%           | N/A         |
| ROUGH FRAMING/MEP COMPLETE + INSPECTED        | 25%           | Yes         |
| INSULATION, DRYWALL, EXTERIOR DRY-IN COMPLETE | 25%           | Yes         |
| CABINETS, FLOORING, PAINT COMPLETE            | 25%           | Yes         |
| FINAL PUNCH LIST + FINAL INSPECTION PASSED    | 15%           | Yes         |

### SCOPE BY TRADE

For each trade, specify materials (brand, grade, color, model), labor scope, and exclusions. Trades: demolition · site · foundation · roofing · windows & doors · siding · plumbing · electrical · HVAC · insulation · drywall · flooring · kitchen · bath · trim.

## APPENDIX G

# Permit & inspection sequence.

A typical Michigan residential rehab sequence. Local jurisdictions vary slightly; confirm with your building department before mobilization.

## Permits to pull at the start.

- **Building** — structural, envelope, interior modifications
- **Electrical** — pulled by licensed electrician
- **Plumbing** — pulled by licensed plumber

- **Mechanical** — pulled by licensed HVAC contractor
- **Demolition** — if removing structures or significant components
- **Right-of-way / sidewalk** — if dumpsters or sidewalk work

## Inspection touchpoints, *in order*.

**01 DEMOLITION COMPLETE**  
Debris cleared, structure exposed.

**03 ROUGH FRAMING**  
Before insulation.

**05 ROUGH PLUMBING**  
Pressure tests, before insulation.

**07 INSULATION**  
Before drywall.

**09 FINAL ELECTRICAL**  
All devices live and tested.

**11 FINAL MECHANICAL**  
System commissioning.

**02 FOOTING / FOUNDATION**  
Before pouring concrete.

**04 ROUGH ELECTRICAL**  
Before insulation.

**06 ROUGH MECHANICAL**  
Ductwork and gas lines, before insulation.

**08 DRYWALL**  
Fastener inspection in some jurisdictions.

**10 FINAL PLUMBING**  
All fixtures connected and operating.

**12 FINAL BUILDING**  
Certificate of occupancy or completion.

### SCHEDULING TIP

Schedule inspections at least **48 hours in advance**. A missed inspection can cost a full week on a small jurisdiction's calendar.

## APPENDIX H

# Soft cost worksheet.

The cost line items most often missed. Plan for soft costs to total 8% to 15% of hard construction cost.

| SOFT COST CATEGORY         | TYPICAL RANGE            | YOUR ESTIMATE |
|----------------------------|--------------------------|---------------|
| ACQUISITION CLOSING COSTS  | 1% to 3% of purchase     | \$            |
| INSPECTIONS                | \$600 to \$1,500         | \$            |
| PHASE I ESA                | \$2,000 to \$4,500       | \$            |
| SURVEY                     | \$500 to \$2,000         | \$            |
| PERMITS                    | \$500 to \$3,000         | \$            |
| DESIGN / ARCHITECT         | 2% to 8% of construction | \$            |
| ENGINEERING                | \$500 to \$3,000         | \$            |
| FINANCING FEES AND POINTS  | 1% to 3% of loan         | \$            |
| UTILITIES DURING REHAB     | \$50 to \$150/mo each    | \$            |
| PROPERTY TAX DURING REHAB  | Varies                   | \$            |
| BUILDERS RISK INSURANCE    | \$800 to \$2,500         | \$            |
| LIABILITY INSURANCE        | \$500 to \$1,500         | \$            |
| LOAN INTEREST DURING REHAB | Calculated               | \$            |
| DUMPSTER & DISPOSAL        | \$500 to \$2,500         | \$            |
| PORTABLE TOILET RENTAL     | \$100 to \$200/mo        | \$            |
| MARKETING & STAGING        | \$1,500 to \$5,000       | \$            |
| REALTOR COMMISSION         | 5% to 6% of sale         | \$            |
| BUYER CONCESSIONS          | 0% to 3% of sale         | \$            |
| CONTINGENCY RESERVE        | 10% to 20% of hard       | \$            |
| TOTAL SOFT COSTS           |                          | \$            |

## APPENDIX I

# Comp analysis for ARV.

*Establishing a defensible after-repair value is the single most important number in any rehab proforma.*

## Step 1 · Pull comps.

Pull three to six closed sales that match the subject: same neighborhood, within half a mile, sold in the last 6 months, similar square footage ( $\pm 20\%$ ), same bed count, similar bath count, similar lot and style, similar projected post-rehab condition.

| # | ADDRESS | SOLD DATE | SOLD PRICE | SQ FT | \$/SQFT | BEDS / BATHS |
|---|---------|-----------|------------|-------|---------|--------------|
| 1 |         |           | \$         |       | \$      |              |
| 2 |         |           | \$         |       | \$      |              |
| 3 |         |           | \$         |       | \$      |              |
| 4 |         |           | \$         |       | \$      |              |
| 5 |         |           | \$         |       | \$      |              |
| 6 |         |           | \$         |       | \$      |              |

### ● STEP 2 · ADJUST

Adjust each comp up or down for differences from the subject.

- Square footage: \$50 to \$100/sf
- Bedroom: \$5,000 to \$10,000
- Bath: \$5,000 to \$15,000
- Garage: \$5,000 to \$15,000
- Finished basement: \$20 to \$40/sf

### ● STEP 3 · TRIANGULATE

Use both averages, then take the lower for conservatism.

- Median adjusted sale price
- Median \$/sq ft  $\times$  subject sq ft
- **Your ARV** — lower of the two

### THE 70% RULE · QUICK SCREEN

Maximum offer =  $(ARV \times 70\%) - \text{repairs}$ . Use as a screen, not a substitute for full proforma analysis.

## APPENDIX J

# Rental readiness & *habitability.*

## REQUIRED BY MICHIGAN LAW OR CODE

- Smoke detectors on every level & in each bedroom; hardwired with battery backup in new construction
- Two means of egress from each sleeping area
- Working heat capable of maintaining 68°F throughout
- All outlets and switches functional; GFCI where required
- Functional locks on all exterior doors
- Truth in Renting notice provided
- Carbon monoxide detectors near sleeping areas
- Hot water meeting temperature requirements
- All plumbing fixtures operational, no leaks
- No exposed wiring, no double-tapped breakers
- Lead-based paint disclosure (pre-1978 homes)
- Property registered with local rental licensing authority

## PRE-TENANT INSPECTION

- All appliances tested
- Water heater operating, temperature set at 120°F
- No visible pests
- Lawn maintained, walkways clear
- HVAC service record (annual)
- All windows open, close, lock
- Gutters clean, downspouts away from foundation

## DOCUMENTATION READY

- Move-in condition report with photos
- Security deposit accounted for, held per Michigan law
- Utility transfer arranged
- Lease agreement signed
- Inventory of appliances and serial numbers
- Tenant contact info and emergency contacts on file

## APPENDIX K

# Financing programs

## *quick reference.*

| PROGRAM                       | TYPE                                 | BEST FOR                                | KEY CONSTRAINT                    |
|-------------------------------|--------------------------------------|---|-----------------------------------|
| CONVENTIONAL BANK LOAN        | Acquisition + construction           | Established developers, strong credit   | Higher down payment               |
| FHA 203(K)                    | Rehab + purchase, owner-occupied     | Owner-occupants rehabbing a primary     | Owner must occupy                 |
| USDA RD 502 / 504             | Rural housing rehab and acquisition  | Rural, income-eligible owners           | Strict eligibility, income caps   |
| HARD MONEY / PRIVATE          | Acquisition + rehab, short term      | Speed to close on distressed            | High rates (10% to 14%)           |
| CONSTRUCTION-TO-PERM          | Construction with permanent rollover | New construction, larger rehabs         | Strong proforma required          |
| HELOC / PORTFOLIO LEVERAGE    | Cash for acquisition                 | Repeat developers with equity           | Personal exposure                 |
| MSHDA MI NEIGHBORHOOD (CDBG)  | Municipality-led rehab + infill      | Working through a non-entitlement city  | Awarded to cities, not direct     |
| MSHDA HOUSING RESOURCE FUND   | Bridge and gap funding               | Affordable housing projects             | State priorities, cycles          |
| LIHTC (4% AND 9%)             | Equity for affordable rental         | Larger multifamily (typically 9+ units) | Compliance burden; 9% competitive |
| TAX INCREMENT FINANCING (TIF) | Public infrastructure capture        | Larger projects in DDA-type districts   | District required                 |
| OPRA                          | Property tax abatement               | Rehabs in eligible commercial corridors | Local government approval         |
| NEZ                           | Residential property tax abatement   | New construction or rehab in NEZ        | Local district required           |
| WEATHERIZATION (WAP)          | Free upgrades for eligible owners    | Contractors win bids; owners get work   | Limited to eligible households    |
| BROWNFIELD REDEVELOPMENT      | Tax capture on cleanup costs         | Sites with contamination                | Eligible activities only          |
| HISTORIC TAX CREDITS          | Equity for certified historic rehabs | Income-producing historic properties    | Certification process             |

## APPENDIX L

# Glossary.

| TERM           | DEFINITION   |
|----------------|--|
| ADU            | Accessory Dwelling Unit. A secondary dwelling on a single-family lot.  |
| ARV            | After-Repair Value. Market value after renovation is complete.   |
| BEA            | Baseline Environmental Assessment. Michigan-specific DD limiting new-owner liability.                              |
| BPI            | Building Performance Institute. Certification body for energy auditors.  |
| BRRRR          | Buy, Rehab, Rent, Refinance, Repeat. A long-term investment strategy.  |
| CAA            | Community Action Agency. Local nonprofit administering weatherization and federal programs.                        |
| CDBG           | Community Development Block Grant. Federal funds administered in Michigan to non-entitlement communities by MSHDA. |
| CAP RATE       | Net Operating Income divided by purchase price. Measure of rental property return.                                 |
| DSCR           | Debt Service Coverage Ratio. NOI divided by annual debt service; lenders require 1.20 to 1.25.                     |
| DAVIS-BACON    | Federal prevailing wage requirement on federally funded construction contracts.                                    |
| ESCROW         | Funds held by a neutral third party until contract conditions are met.   |
| FHA 203(K)     | FHA rehab loan combining purchase and rehab for owner-occupants.   |
| LIHTC          | Low-Income Housing Tax Credit. Federal equity program for affordable rental development.                           |
| LTV            | Loan-to-Value. Loan divided by appraised value or purchase price.  |
| MITN           | Michigan Inter-governmental Trade Network. BidNet portal for local government RFPs.                                |
| MSHDA          | Michigan State Housing Development Authority.  |
| MDHHS          | Michigan Department of Health and Human Services. Administers WAP.   |
| NEZ            | Neighborhood Enterprise Zone. Property tax abatement district for residential rehab.                               |
| NOI            | Net Operating Income. Gross income minus operating expenses, before debt service.                                  |
| OPRA           | Obsolete Property Rehabilitation Act. Michigan tax abatement for commercial rehab.                                 |
| PHASE I<br>ESA | Environmental Site Assessment. Non-intrusive review of environmental history.                                      |
| RRP            | Renovation, Repair and Painting Rule. EPA rule governing lead-safe work in pre-1978 homes.                         |
| SIGMA VSS      | State of Michigan Vendor Self-Service. State procurement portal.   |
| TIF            | Tax Increment Financing. Captures incremental tax revenue to fund public improvements.                             |
| WAP            | Weatherization Assistance Program. MDHHS-administered free energy upgrades.  |

## APPENDIX M

# Local resource directory.

*A starting list. Replace or extend with your county-specific contacts.*

## ● STATE PROGRAMS

- **MSHDA** · [michigan.gov/mshda](http://michigan.gov/mshda)
- **MEDC** · [michiganbusiness.org](http://michiganbusiness.org)
- **MDHHS Weatherization** · [michigan.gov/mdhhs](http://michigan.gov/mdhhs)
- **MiPlace Permit-Ready Plans** · [miplace.org](http://miplace.org)
- **State Historic Preservation Office** · [michigan.gov/shpo](http://michigan.gov/shpo)

## ● FEDERAL PROGRAMS

- **USDA Rural Development Michigan** · [rd.usda.gov/mi](http://rd.usda.gov/mi)
- **HUD Michigan Field Office** · [hud.gov](http://hud.gov)
- **EPA RRP Lead-Safe Renovator** · [epa.gov/lead](http://epa.gov/lead)

## ● PROCUREMENT PORTALS

- **MITN BidNet Direct** · [bidnetdirect.com/mitn](http://bidnetdirect.com/mitn)
- **SIGMA VSS** · [michigan.gov/sigmavss](http://michigan.gov/sigmavss)

## ● CODE & LICENSING

- **LARA Builder License Verification** · [michigan.gov/lara](http://michigan.gov/lara)
- **Michigan Residential Code** · via your local building department

## ● INDUSTRY & EDUCATION

- **Michigan Community Action** · [micommunityaction.org](http://micommunityaction.org)
- **Building Performance Institute** · [bpi.org](http://bpi.org)
- **BiggerPockets** · [biggerpockets.com](http://biggerpockets.com)
- **Incremental Development Alliance** · [incrementaldevelopment.org](http://incrementaldevelopment.org)
- **Rental Property Owners Association** · [rpoaonline.org](http://rpoaonline.org)
- **Home Builders Association of Michigan** · [buildmi.com](http://buildmi.com)

## ● HOUSING FORWARD

- **Housing Forward** · A Midland Business Alliance initiative
- **Region G Housing Partnership** · Regional planning & data
- **Jenifer Acosta · Acosta Development** · Lead Consultant

## APPENDIX N

# Insurance primer for developers.

*The right policy at the right time. Coverage gaps during a rehab are the most common, most expensive insurance mistake.*

## ● BUILDERS RISK (DURING CONSTRUCTION)

Covers the property and materials on site during the rehab. Required by most construction lenders. Includes a vacancy endorsement (standard homeowners and landlord policies typically exclude vacancy beyond 30 to 60 days). Coverage equals total project value (acquisition + rehab).

## ● LANDLORD POLICY (DP-3 OR SIMILAR)

Replaces builders risk once the property is leased and occupied. Covers structure, loss of rents, and landlord liability. Required by most rental lenders.

## ● VACANCY INSURANCE

Specialized coverage for periods when a property is unoccupied between tenants or between purchase and rehab start. Most common gap: closing on a vacant property without binding builders risk on the same day.

## ● COMMERCIAL GENERAL LIABILITY (CGL)

Covers third-party injury or property damage claims. Required by most lenders and many municipalities. Minimum \$1M occurrence / \$2M aggregate is common.

## ● UMBRELLA POLICY

Excess liability over your CGL and auto. Recommended once you own more than one investment property.

## ● WORKERS COMPENSATION

Required for any W-2 employees in Michigan. Confirm subcontractors carry their own; get certificates of insurance on file before mobilization.

### COMMON INSURANCE MISTAKES

Carrying a homeowners or standard landlord policy during a vacant rehab (most claims denied for vacancy).  
Letting builders risk lapse before the first tenant moves in. No certificate of insurance from subcontractors.  
Insuring only the building value, not total project value. No loss-of-rents rider on the landlord policy.

## APPENDIX O

# Project closeout & punch list.

The final 5% takes the same effort as the first 50%. Use this checklist before listing or leasing.

## CODE & INSPECTIONS

- Certificate of occupancy or final sign-offs posted
- All open permits closed
- HVAC commissioning report on file
- Final electrical, plumbing inspections passed

## DOCUMENTATION

- Warranties organized in a binder
- Final lien waivers from all contractors
- As-built drawings (if structural change)
- Energy audit / blower door results
- Receipts and invoices for tax basis

## INTERIOR PUNCH LIST

- All doors open, close, latch
- All windows operate, latch, screens installed
- All outlets, switches, light fixtures working
- All plumbing fixtures operational, no drips
- All appliances installed, tested
- HVAC heating and cooling tested
- Smoke and CO detectors installed and tested
- Paint touchups, caulking, grout complete
- Floors cleaned, hard surfaces polished
- Cabinets and drawers operate smoothly

## EXTERIOR PUNCH LIST

- Siding, fascia, trim complete
- Gutters and downspouts secure, directed
- Roof debris cleared
- Exterior paint touchups complete
- Concrete or sidewalks sealed or repaired
- Lawn established or mulch installed
- Exterior lighting installed and operating
- House numbers installed and visible
- Mailbox installed
- Trash removed, dumpster pulled

## MARKETING & LEASE-UP

- Professional photos taken
- MLS or rental listing drafted
- Signage installed if applicable
- Open house scheduled or tenant screening initiated
- Keys and door codes inventoried

## END OF GUIDEBOOK

Designed to be a *living resource*. Update as programs, codes, and market conditions change. Bring questions to Housing Forward.