



REAL ESTATE DEVELOPMENT

Development 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 ·
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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

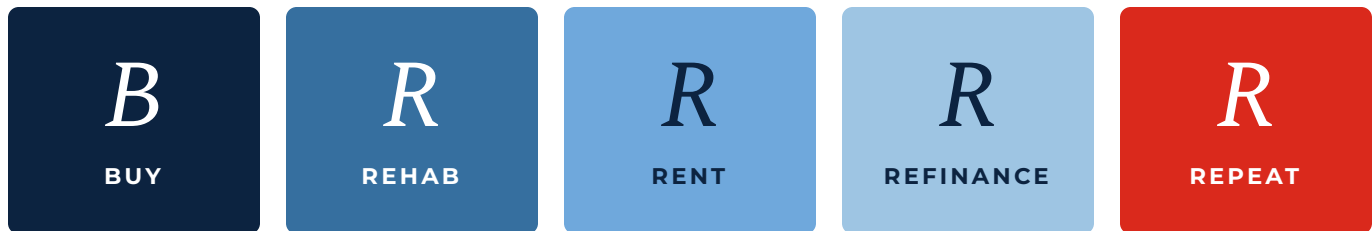
A well-maintained, energy-efficient rental at workforce price points is genuinely rare in Midland. The waitlist often forms before the listing.

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>01 SKIPPING THE SEWER LINE SCOPE
A \$250 to \$500 camera inspection prevents \$5,000 to \$20,000 repairs.</p> | <p>02 MISSING DANGEROUS WIRING
Knob-and-tube, FPE/Zinsco panels, and aluminum branch are insurance disqualifiers.</p> |
| <p>03 PRE-1978 WITHOUT LEAD-SAFE BUDGETING
EPA RRP Rule requires certified practices on painted surfaces. Federal penalty risk.</p> | <p>04 UNDERESTIMATING FOUNDATION & WATERPROOFING
Wet basements are the most expensive surprise in older Michigan homes.</p> |
| <p>05 SKIPPING THE RADON TEST
Mitigation runs \$1,000 to \$2,500. Lenders and buyers increasingly require results.</p> | <p>06 OVERLOOKING ASBESTOS
Pre-1980 popcorn, 9x9 tile, sheet flooring, pipe wrap, some siding. Test before demo.</p> |
| <p>07 PRICING FROM WALKTHROUGH
Walk-through estimates are 30% to 50% low on average. Get three written bids.</p> | <p>08 COSMETIC-FIRST BUDGETING
Paint and flooring before envelope and systems is the most common rookie mistake.</p> |
| <p>09 NO PERMITS PULLED
Saves \$200 today, costs \$10,000 at resale or rental licensing inspection.</p> | <p>10 SKIPPING WELL & SEPTIC ON RURAL
Failed drainfields run \$8,000 to \$25,000. Water tests catch bacterial, nitrate, arsenic.</p> |
| <p>11 SKIPPING LEVEL 2 CHIMNEY
Cracked liners are common. Using the fireplace first risks a chimney fire.</p> | <p>12 UNDER-RESERVING CONTINGENCY
10% on cosmetic; 20% on pre-1950 or full guts. The number you skip is the number you spend.</p> |
| <p>13 FORGETTING SOFT COSTS
Utilities, financing fees, builders risk, dumpsters, holding adds 8% to 15% to total.</p> | <p>14 CHOOSING TRENDY FINISHES
A finish that dates the home in three years costs you on resale.</p> |
| <p>15 DIY PAST LICENSED BOUNDARIES
Electrical, plumbing, mechanical, structural require licensed pros in Michigan.</p> | <p>16 NO FLOOD ZONE DETERMINATION
FEMA maps shift. Insurance can run \$1,500 to \$4,000 per year if you miss this.</p> |
| <p>17 ARV BASED ON HOPE
Pull three closed comparables, same neighborhood, last 6 months.</p> | <p>18 UNLICENSED OR UNINSURED CONTRACTORS
Save 15% today, lose six figures in liability tomorrow.</p> |
| <p>19 NO WRITTEN CHANGE-ORDER PROCESS
Verbal changes turn into invoice disputes. Every change in writing, signed before work.</p> | <p>20 SKIPPING CHIMNEY, ATTIC, CRAWLSPACE
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
- MSHDA Developer Toolkit · michigan.gov/mshda
- MEDC Proforma 101 · michiganbusiness.org
- Invest UP technical assistance library
- MiPlace.org Permit-Ready Housing Plans
- MDHHS Weatherization Program · 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 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
- **MEDC** · michiganbusiness.org
- **MDHHS Weatherization** · michigan.gov/mdhhs
- **MiPlace Permit-Ready Plans** · miplace.org
- **State Historic Preservation Office** · michigan.gov/shpo

● FEDERAL PROGRAMS

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

● PROCUREMENT PORTALS

- **MITN BidNet Direct** · bidnetdirect.com/mitn
- **SIGMA VSS** · michigan.gov/sigmavss

● CODE & LICENSING

- **LARA Builder License Verification** · michigan.gov/lara
- **Michigan Residential Code** · via your local building department

● INDUSTRY & EDUCATION

- **Michigan Community Action** · micommunityaction.org
- **Building Performance Institute** · bpi.org
- **BiggerPockets** · biggerpockets.com
- **Invest UP** · investup.org
- **Rental Property Owners Association** · rpoaonline.org
- **Home Builders Association of Michigan** · buildmi.com

● HOUSING FORWARD

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

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.