



CANADA MORTGAGE AND HOUSING CORPORATION

WRITING A BUSINESS PLAN

After completing your housing need and demand study, you have determined that there's an increasing need for affordable housing in your community. You have worked hard to gain public support for building affordable housing, but how are you going to convince the funders and financial institutions that your project is viable?

A well-prepared business plan will help you to 'sell' your concept. When writing a business plan, you must determine your audience(s). Is the intention to network within the community, document to funders your suitability to manage housing, or convince bank officials that your project is a good credit risk? This decision will help shape your business plan.

A business plan is a contextual blueprint—a guide for your project.

A good business plan demonstrates to funders, lenders and the community who you are and details your capabilities: operations, marketing, management, and financials. Your business plan validates that your housing project has been carefully considered, from conception to operation, and is viable.

In developing your business plan, you will

- (1) identify your goals;
- (2) provide researched information and analysis; and
- (3) assemble the information in a logical, easily understood format.

The level of detail you provide will depend in part on the complexity of your housing proposal, and on the requirements of those who will use the plan to make a decision.

Key Components

The key sections of a business plan are: the Executive Summary; the Business section; the Market Analysis section;

the Financing section; and the Management section. When you write a business plan, stay with this format – those reviewing this document will expect to see these critical decision-making elements. If any crucial section is missing, the reviewers may decide to read no further, despite how wonderful your business idea is.

Background: Setting Goals, Research and Analysis

When putting together a business plan, the first order of business is to examine and identify your goals and the relationship of these goals to your proposed housing project. Your business plan should be centred on these goals, providing both scope and meaning to your affordable housing development(s). A strategic planning session may prove useful in identifying the goals and direction of future projects.

The second order of business is to conduct research and analysis for projects that reflect your goals. The easiest way to go about organizing all your experiences, interviews and research is to create files for each

section of the business plan. These files can be paper-based, computer-based, or set-up using business planning software. As you start the research and collection phase of planning, fill your files with notes and printouts. Begin with an overview of the housing sector, uncovering industry and association reports. Then you can start the financial assessment for the project, working closely with your accountant to develop realistic projections; being overly optimistic will raise eyebrows with your investors or banker.

Suggested Activities

- Identify in-house staff, board member, or external consultant to write your business plan.
- Establish a timeline for conducting the research and writing of your business plan.
- Explore your banking institution's website for business planning information.
- Help to identify an approach for data collection that works best for your project.
- Ensure both sufficient quantitative and qualitative data will be collected.

Formatting your Business Plan

The business plan should support your mission, objectives and vision in order to be successful. The following information presents each section of the business plan in the order in which they will appear, with a brief explanation to help guide you through the writing process.

Executive Summary

A well-composed executive summary will precisely illustrate your goals and plans, summarizing the key elements of the entire business plan. While appearing first, this section of the business plan is usually written last. When you have thoroughly completed all sections of the business plan, write the summary, highlighting key points and defining 'affordable housing' in the terms you are using for your development(s).

Organization and Services

Provide the legal name, physical address, and detailed description of the nature of your business. This section should provide a description of your affordable housing project.

Suggested Activities

- Conduct a strategic planning session.
- Summarize your mission, objectives and vision.
- Produce a history of your organization, including key successes.

Market Analysis

A market analysis, including a completed Housing Need and Demand survey, examines the primary target market for your affordable housing development or service, including geographic location, demographics, and target market service needs. It will answer whether your target group(s) are willing to pay the proposed rents or purchase prices; whether they are willing to move into the proposed

built-form(s); and whether they are interested in living in the proposed area. A market analysis also provides an overview of the housing sector of which you are part, including development and operational trends, and major players in the sector, such as governments, non-profit housing providers, co-ops, and private developers. It should also include an evaluation of your direct and indirect competition, with an assessment of competitive advantage and an analysis of how you will overcome any entry barriers to the chosen market.

Suggested Activities

- Complete a Housing Need and Demand Survey. (Refer to CMHC's *Housing Need and Demand Fact Sheet* for details.)
- Incorporate findings from your need and demand assessment to demonstrate target market needs and how they are currently met (or not).
- Provide details on your target market, including demographics, socio-economic status, and geographic location.
- Describe your place within the housing sector, and identify your competitive advantage or how you will work together with other housing providers, developers, and/or governments.
- Identify how you are positioning yourself to enter the affordable housing market.
- Describe how you have the ability to meet the housing and service needs of the target market and the number of people you intend to serve.

Marketing Plan

A marketing plan provides a detailed explanation of your sales and/or rental revenue projection, pricing plan, proposed advertising and promotional activities, and support services benefits.

Suggested Activities

- Project how many units you will sell and/or rent, and services to be offered over several years.
- Calculate your revenue and expenditures, accounting for any market trends or variations in construction costs, land pricing, and sales.
- Explore and describe how your target market will access information about your affordable housing units.

Construction / Development Management Plan

Potential funders, lenders and CMHC will assess your management or capacity to manage during the construction phase as well as post-occupancy. The construction / development management plan provides an outline of your legal structure and development management resources, including your internal management team, external resources and human resources needs. Include a description of other new buildings you have been involved in developing, if applicable.

Suggested Activities

- Ensure financial statements are available and financial controls are in place.
- Ensure your corporate filings are up-to-date.

- Establish plans and policies to ensure good governance.
- Ensure you have hired capable management for the construction / development phase.

Property Management Plan

The property management plan will focus on the operations of the building, from building occupancy to the end of its anticipated life expectancy. It is a description of the development's physical location, facilities and equipment, employees required, inventory requirements and suppliers, and any other applicable operating details, such as a description of a successful program you currently run or other examples of your success.

Suggested Activities

- Outline the operations of your business, including: staff to meet the objectives or a hiring plan to attract employees with the required skills for the project, equipment, office infrastructure, cash or other assets.

Financial Plan

A financial plan contains two subsections: (1) the Capital Plan—the equity, funding and financing that will be required to develop the project; and (2) the Operating Plan—the revenue required to operate the building once it is operating fully. The Capital Plan will illustrate that the project is feasible (you have development funding identified and/or secured). The Operating Plan will ensure that the project is viable (the revenue will support the operating costs and mortgage debt).

The financial plan provides a description of the funding requirements, detailed financial statements, a financial statement analysis, and an initial timeline for your affordable housing development(s). This will also detail your start-up budget, replacement reserve budget, cash flow projection, income statement, and balance sheet for the development(s).

Suggested Activities

- Refer to CMHC's *Equity, Funding, and Financing Fact Sheet* for capital plan details.
- List and describe any expenses your project will incur in the development / construction phase, including rezoning applications, permits, equipment rental, additional staff, etc.
- Categorize cost of unit construction, overhead expenses and capital expenditures.
- Estimate costs for the first year of operation.
- Illustrate the ability of your project to sustain itself or grow over a 3 to 5 year period by establishing an income statement.
- Develop a balance sheet of your sponsoring lenders, partners, and any other assets. Include any seed capital, fixed asset financing, or working capital for the project.
- Meet with your accountant to ensure financial projections and assessments for your development(s) are feasible.
- Include an annual report, detailed financial statements, and a financial analysis.

Appendices and Exhibits

Include any additional information that will help to establish the credibility of your project idea, such as marketing studies, photographs of your other developments, and/or contracts or other legal agreements pertinent to the operation of the project.

Suggested Activities

- Include the need and demand statistical summary, preliminary waitlist information, support letters, contract or required legal agreements, partnership agreements (if this is a jointly sponsored project) and examples of other programs or services that you run successfully.

Conclusion

Making a good first impression with funders, lenders and the community is important. A well-written business plan that opens doors and wins the support and/or money is a plan that has been revised and reviewed. Check your business plan *before* sending it out. Is it clearly worded? Is it complete? Have you asked others for feedback? Have you incorporated feedback, proofread and edited the business plan? Business planning may be time intensive, but by following these critical steps, you will ensure your organization, and current initiatives have a very good chance at funding and success in future operations.

Further Resources

The Enterprise Foundation: *A Step-by-Step Guide to Preparing an Effective Business Plan*.

Business Development Bank of Canada: www.bdc.ca

Business Planning (for Non-Profits or For-Profits), www.managementhelp.org/plan_dec/bus_plan/bus_plan.htm

ONPHA Development Training and Support Program, Business Plan Checklist, www.onpha.on.ca

The Enterprise Foundation, *Planning a New Business Venture: A Step-by-Step Guide to Preparing an Effective Business Plan*.

Nova Scotia Housing Development Corporation Business Plan 2005-2006
www.gov.ns.ca/coms/pdf/Business_Plan_2005-2006_NSHDC.pdf

Housing Connections (City of Toronto) Business Plan 2005-2007
www.housingconnections.ca/PDF/BusinessPlan/Final%20Business%20Plan.pdf

Human Resources and Skills Development Canada – Industry Profile List www.hrsdc.gc.ca

Canada Business www.canadabusiness.ca