



Why Development is not working

Project Cost: \$300/sf

Project Value: \$100/sf



Typical Annual Operating Budget

Revenue		\$/SF	50,000 SF
Housing	30%	18.00	\$ 270,000
Office	30%	14.00	\$ 210,000
Retail	30%	16.00	\$ 240,000
Common	10%	0.00	\$ 0
Total Revenue		14.40	\$ 720,000
Expenses			
Maintenance		1.62	\$ 81,000
Electric		0.84	\$ 42,000
Water		0.14	\$ 7,000
Heating Fuel		0.29	\$ 14,500
Office Expense		0.23	\$ 11,500
Manager		0.60	\$ 30,000
Insurance		0.38	\$ 19,000
Taxes		1.50	\$ 75,000
Total Expenses		5.60	\$ 280,000
EBITDA			440,000
Debt Service			\$ 342,889
Debt Coverage Ratio			1.28

1.27 Total Utilities

1.2 Typical Minimum



Typical Project Funding Gap

Project Cost	\$/SF	50,000 SF
Acquisition	50	\$ 2,500,000
Design	12	\$ 600,000
Other soft	12	\$ 600,000
Cost to Construct	220	\$ 11,000,000
Total Project Cost	294	\$14,700,000

12\$/sf with NMTC plus reserves

Building Value	
EBITDA	\$ 440,000
EBITDA @ 8.5% cap rate	\$ 5,176,471
Max Debt @ 80% value	\$ 4,141,176
Max Debt @ DCR	\$ 5,000,000
Gap: Debt vs. Cost	\$ 9,700,000

4.7%, 25 years

34% of project cost

Is there an ROI?



Why Development is not working

Project Cost: \$300/sf

Project Value: \$100/sf

Revenue		\$/SF	50,000 SF
Housing	30%	18.00	\$ 270,000
Office	30%	14.00	\$ 210,000
Retail	30%	16.00	\$ 240,000
Common	10%	0.00	\$ 0
Total Revenue		14.40	\$ 720,000



Industrial Project Financing

- Construction Cost \$130/sf = Value \$30/sf
- Equity Needed for cash flow, equipment
- Owners not in the construction business
- Negotiating the economic programs
 - VEGI, CDBG, Work Force
- Environmental Permitting