Introduction to the Small Development Movement

Jim Kumon – Executive Director and Founding Member of the Incremental Development Alliance

@IncDevAlliance | jkumon@incrementaldevelopment.org
Cultivating 1000 small developers and cities that support them
IncDev Mission: We Teach and Nurture Implementers

Train small business owners, neighborhood advocates, design/real estate professionals, builders and others to become small developers

Coach civic groups and government agencies on how to create a thriving ecosystem for small developers and entrepreneurs

Connect a continent of neighborhood level doers to celebrate success and share field notes through opportunistic alliances
Zero to Three Stories, In Your Neighborhood
Constantly Evolving, Regenerating
Neighborhood

↓

Block

↓

Lot

Big City

Small Town
What are we trying to accomplish?
Building of Intergenerational Wealth

Families
Leverage Building as Income Source
Provide Lifecycle Housing Choice

Communities
Flexible and Adaptable Buildings
Anti-Fragile Tax Base
Creating a Job vs Building Wealth

Need $500,000 To Start
Wealth Leaves

Job: Store Manager

Builds $500,000 Over Lifetime
Wealth Stays

Wealth: Business and Building Owner
Building Wealth Through Real Estate

One Story
Mixed Use
Commercial Front,
Residential Back
Are you getting the kinds of real estate projects you want to see?
Why Not??

I’ll Give You Three Reasons
Overcoming Challenges to Small Scale Projects
Reason #1

Habit of Extractive Land Development

We Don’t Regenerate Like We Used To....

Culture of Throwaway Buildings

Land Held in Hands of Few

Deteriorating Municipal Tax Base

Tyranny of Amortization
Reason #2

Current State of the Development Industry

Chronic Specialization

Patchwork Quilt of Arcane Regulation

Neighborhood Opposition and NIMBY’s

Dire Construction Labor Shortage

Tariffs on Materials
And if that wasn’t enough...
62% of US housing stock is single-family detached homes as of 2012 (HUD, 2014)
83% of households in the US will have no children by 2030

According to Arthur C. Nelson, *Reshaping Metropolitan America*
Reason #3

Mismatch of Buildings to People

What we have and what we need don’t fit well

Goldilocks Problem:
Don’t have enough of the ‘just right’ buildings

National demographics shifting to smaller units for single person households

Overheated real estate markets walkable neighborhoods due to lack of supply of them
75% of new housing delivered between now and 2030 should be rental to meet demand.

According to Arthur C. Nelson, *Reshaping Metropolitan America*
Hi, I’m Jim

As a small real estate developer, I’d like to build some new multi-family rental housing in your neighborhood.
Apartments in Despair
Simple, Rectangular, Lovable
The City of Grayling
Net Annual Market Potential for New-Builds

- 5 Cottage House
- 4 Fourplex Townhouse
- 2 Above Retail
- 4 Lofts Flats

sharonwoods@landuseusa.com | (517) 290-5531 | www.LandUseUSA.com
Not Enough Small Developers to Fill The Needs Who Know How to Work at the Lot by Lot Level
Who We Need

Potential Small Developers
Known as Operating Partners, the people doing the work full time or on the side

Potential Investment Partners
Known as Money Partners Through Land Ownership or Financial Equity/Debt

Small Development Champions
Folks who care about their city/neighborhood and are going to support change happening so the two groups above can do their jobs right
Small Developers

• Real Estate Development Professional (perhaps working at a larger scale entity) or Non-Profit Organization Developer

• Real Estate Agent, Broker, or Property Manager

• Architect, Urban Designer, Engineers, Landscape Architect, Urban Planner, Attorney

• Construction Contractor, Home Builder or Tradesperson

• Small Business Owner (in a related or unrelated industry to those above)
Small Investors

• Local Community Banker or Loan Originators (For Profit or Non Profit)
• Property owners of any size or type
• Retired individuals from high net worth industry or position
• Private equity, angel or local investment/wealth management professionals
• Professionals from land banks/trusts, redevelopment agencies
• Program Officer or Executives from local Foundations
Small Development Champions

- City Management, City Planning, Housing, Community or Economic Development Professionals
- Elected Officials, Aides to City Official, Manager or Legislator, Planning Commissioners
- County, Regional or State Government/Agency in Housing or Economic Development
- Non-Profit Organization Professional, Neighborhood Leader/Volunteer/Professional, College or University Leader
- Business Association, Chamber or Trade Group Leader
What Do We Have to Know to Make These Happen?
Key Thresholds For Small Buildings
A note on Existing Buildings versus New Construction
## Small Building Thresholds

<table>
<thead>
<tr>
<th>Building Code</th>
<th>Financing Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Residential Code (IRC)</td>
<td>Residential Mortgage (10 Year Term)</td>
</tr>
<tr>
<td>International Building Code (IBC)</td>
<td>Commercial Loan (3-10 Year Term)</td>
</tr>
</tbody>
</table>
Financing Product Order of Magnitude

- **Personal debt**

- **More complexity**

- **“Residential” mortgages**

- **Even more complexity**  1-4 units with some non-residential SF allowed

- **“Commercial” mortgages**
Examples of 100’ Lot Configurations with 4 Units
Q: How Do We Find Small Developers?
A: You Don’t.
You Grow Them
What Will I Learn at a Seminar

Open to ALL
Public Sector
Private Sector
Non-Profit Sector

The Project
Formation Process
Conventional Financing Thresholds
Building Types and Site Planning Tips
Financial Pro forma
Asking for Money
Learn How a Building Makes Money Via a Financial Proforma
Asking for Money

..........................
Small Building Investment Package
MARCH 26, 2020

SMALL SCALE DEVELOPMENT SEMINAR

EARLY BIRD: $49
REGULAR: $69
LAST MINUTE: $89

UNIVERSITY OF OKLAHOMA
865 RESEARCH PKWY ST 300
OKLAHOMA CITY, OK

INCREMENTALDEVELOPMENT.ORG/EVENTS/OKCSEMINAR
Seminar Registration

Register at:
incrementaldevelopment.org/events/okcseminar

Early Bird rate ($49) deadline – March 3
Regular Registration rate ($69) deadline – March 23
Small Developer Boot Camp
May 29-20, 2020
<table>
<thead>
<tr>
<th>BUSINESS &amp; PEOPLE</th>
<th>PHYSICAL &amp; TECHNICAL</th>
<th>FINANCE &amp; RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHASE 1: STARTUP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What is your business model? How will you create value with the skills and connections on your team?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How do you cultivate a neighborhood? Identifying features of viable urban design - walkability, public space, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How to use off-the-shelf financing options (from personal mortgage to partnerships) to do small scale projects.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PHASE 2: ASSESSING THE OPTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market analysis, intro to the building blocks of a neighborhood. What's missing in your place? How can you fill a niche?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site comparison and selection. How to read and understand zoning to optimize the building and site potential.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using a Pro Forma spreadsheet, estimate income vs. expenses for specific projects. Which are feasible?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PHASE 3: MOVING FORWARD WITH THE BEST PROJECT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gather your design professionals. Understand the building, zoning, and incentive approval processes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How to design a simple building that acts as a good neighbor (and isn't unnecessarily frustrating to get approved and built).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asking for money from investors and presenting a project that's fundable. Due diligence, negotiation, and site acquisition.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Small Developer Boot Camp

---------------

Session One: What’s Your Project?
Session Two: Does the Project Make Money?
Session Three: Who’s going to Invest in your Project?
Session Four: Presenting Your Project?

Each Session is Half Day of Demonstrations/Work Time
Session 1: What’s Your Project?
Session One

Finding People and Creating a Building Program

Objective:

- Understanding your farm to fill a need in the market place and finding your occupants
- Structuring income and expenses to deliver a physical solution to that need - the program of the development
Building Program

Residential. The building will contain nine 1-bedroom apartments. One accessible unit is provided on the upper floors contain four units each.

Commercial. The building offers four commercial spaces.

» Prairie Street Bar and Tap will occupy approximately 1400 square feet of commercial space with a percentage-lease.

» An additional 700 square feet of ground floor space is available and may be subdivided.

» Two 140 square foot offices are available on the upper floors.

Parking

» Off-street parking is reserved for resident use. Four resident-reserved spaces will be provided on adjacent property.

» On-street parking will be used by guests, patrons, and employees.
# Unit Schedule + Rent Roll

<table>
<thead>
<tr>
<th>Rate per SF</th>
<th>Finished SF</th>
<th>Shell SF</th>
<th>Monthly Rent</th>
<th>Annual Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3-story building</strong></td>
<td>6,376</td>
<td>3,076</td>
<td>$13,333</td>
<td>$159,360</td>
</tr>
<tr>
<td><strong>Floor 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>$20.35</td>
<td>0</td>
<td>1,376 $2,333</td>
<td>$28,000</td>
</tr>
<tr>
<td>Commercial</td>
<td>$20.00</td>
<td>0</td>
<td>688 $1,200</td>
<td>$13,760</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.45</td>
<td>688</td>
<td>0 $1,000</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>Floor 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1BR</td>
<td>$1.34</td>
<td>711</td>
<td>0 $950</td>
<td>$11,400</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.34</td>
<td>711</td>
<td>0 $950</td>
<td>$11,400</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.34</td>
<td>711</td>
<td>0 $950</td>
<td>$11,400</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.34</td>
<td>711</td>
<td>0 $950</td>
<td>$11,400</td>
</tr>
<tr>
<td>Office</td>
<td></td>
<td>0</td>
<td>136 $300</td>
<td>$3,600</td>
</tr>
<tr>
<td><strong>Floor 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1BR</td>
<td>$1.55</td>
<td>711</td>
<td>0 $1,100</td>
<td>$13,200</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.55</td>
<td>711</td>
<td>0 $1,100</td>
<td>$13,200</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.55</td>
<td>711</td>
<td>0 $1,100</td>
<td>$13,200</td>
</tr>
<tr>
<td>1BR</td>
<td>$1.55</td>
<td>711</td>
<td>0 $1,100</td>
<td>$13,200</td>
</tr>
<tr>
<td>Office</td>
<td></td>
<td>0</td>
<td>136 $300</td>
<td>$3,600</td>
</tr>
</tbody>
</table>

9452 SF TOTAL - 9 Residential Units
Reading Zoning and Devising Buildings

Objective:

- Learn how to digest critical local zoning information and organize for use and reference
- Understand the functionality of standard building types and thresholds between them (building code, zoning, fair housing, ADA, financing, etc)
- Identify permanent financing mechanism and keep program inside those underwriting criteria
Gathering Up Zoning Info

- Name of the Zone that is applied to your site?
- Does the Zoning Category/Designation have a description of the intent of the zone applied to your site? (if yes, flag it with a post-i).
- Minimum Lot Size? (the Area in Square Feet)
- Minimum Lot Width?
- Min. Front Set Back?
- Min. Side Set Backs?
- Min. Street Side Set Back for a Corner Lot?
- Min. Rear Set Back?
Drawing Site Plan Constraints

- CN-Z
- COMMERCIAL NEIGHBORHOOD (PURPLE)

- INTEGRITY: ENHANCED SMALL-SCALE RETAIL, SERVICES & PERSONAL SERVICES TO PRIMARILY SERVICE NEARBY RESIDENTIAL NEIGHBORHOODS.
- BUILDING HEIGHT LIMIT: 30’
- SEE TABLE FOR NON-RESIDENTIAL OFF-STREET PARKING REQUIREMENT.
  - NO REDUCTION FOR MIXED USE
- MAX. IMPERVIOUS SURFACE: 75%

- DRAWING (CONT.)
  - PROMOTE PEDESTRIAN-ORIENTED DEVELOPMENT @ INTENSITY LEVEL COMPATIBLE WITH SURROUNDING RESIDENTIAL AREAS.

- 1.5 OFF-STREET PARKING SPACES PER DWELLING UNIT
  - A. MIN. LOT AREA: 5,000 SF / 1,800 SF PER DWELLING UNIT
  - B. MIN. LOT WIDTH: 44’ @ BUILDING LINE
  - C. FRONT SET BACK: N/A
  - D. SIDE SET BACK: 15’ IF ADJACENT RESIDENCE
  - E. BEAK SET BACK: 15’
Using Standard Building Types

- **1 Story Commercial**: 
  - 1 Bed/1 Bath: 640 SF
  - Owner Space: 782 SF
  - Lease Space A: 530 SF
  - Lease Space B: 220 SF
  - Common Space: 20.5' x 8'

- **2nd & 3rd Floor**
  - 1 Bed/1 Bath: 640 SF
  - Hall: 8' x 32'

- **3 Story Mixed Use**
  - 1 Bed/1 Bath: 640 SF
  - Commercial: 1,280 SF
  - Hall: 8' x 32'

- **3 Story Mixed Use (Commercial)**
  - 1 Bed/1 Bath: 640 SF
  - Commercial: 640 SF

- **2 Story (4-Plex)**
  - 2 Bed/1 Bath: 728 SF
  - Porch: 48' x 16'
Three Story Walkup - Mixed Use

Residential. The building will contain nine 1-bedroom apartments. One accessible unit is provided on the upper floors contain four units each.

Commercial. The building offers four commercial spaces.

» Prairie Street Bar and Tap will occupy approximately 1400 square feet of commercial space with a percentage-rent lease.
Three Story Walkup - Mixed Use

NORTH ELEVATION (PRAIRIE STREET)

WEST ELEVATION
Session 2: Does the Project Make Money?
Session Two

Generating the Static Pro forma

Objective:

● Learn how to enter building program into static pro forma excel spreadsheet
● Run scenarios and calculate key metrics like NOI, Return on Cost, DSCR, Cash on Cash Return, Equity Needed
### The Blackbeard - A Quadplex

#### Static Pro forma

<table>
<thead>
<tr>
<th>Building Program and Rents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Units</strong></td>
<td><strong>Rent</strong></td>
</tr>
<tr>
<td>Studio</td>
<td>$900</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$1,100</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$1,600</td>
</tr>
<tr>
<td><strong>Total Residential Monthly Rents</strong></td>
<td>4</td>
</tr>
<tr>
<td>Commercial Units</td>
<td>$1,250</td>
</tr>
<tr>
<td>Garages</td>
<td>$100</td>
</tr>
<tr>
<td>Storage</td>
<td>$50</td>
</tr>
<tr>
<td>Common Area</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total Commercial Monthly Rent</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Monthly Rent</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Building Square Feet</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Lot Size**: 5,000

**Building Footprint (Ground Floor SF)**: 2,048

**Site Area Net of Buildings**: 2,952
# Pro forma Practicum

## INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Potential Income (Total Annual Rents)</td>
<td>$76,800</td>
</tr>
<tr>
<td>Less Vacancy</td>
<td>$3,840</td>
</tr>
<tr>
<td>Gross Operating Income</td>
<td>$72,960</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$18,240</td>
</tr>
<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td><strong>$54,720</strong></td>
</tr>
</tbody>
</table>

## COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Hard Cost</td>
<td>SF Building $125 $574,500</td>
</tr>
<tr>
<td>Site Improvements</td>
<td>SF Site $4 $11,808</td>
</tr>
<tr>
<td>Off Site Improvements</td>
<td></td>
</tr>
<tr>
<td><strong>Total Hard Costs</strong></td>
<td><strong>$586,308</strong></td>
</tr>
<tr>
<td>Soft Costs</td>
<td>25% $146,577</td>
</tr>
<tr>
<td>Land Costs</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>$772,885</strong></td>
</tr>
</tbody>
</table>

**Total Cost per Unit (Residential Projects Only):** $193,221  
**Return on Project Cost:** 7.1%
Session Two

Pro forma Details (Breakout Q&A)

Objective:

- Dive deep into hard, soft and financing cost budgets, line by line
- Understand key differences and decision points inside different types of residential and commercial/mixed-use projects
Segment In-Depth Q&A

Commercial - Monte
Users: Retail, Office, Restaurants, Markets
Owner-Occupied
Types of Leases and Common Area Maint.

Residential - John
For Sale vs. For Rent
1-4 units, 5-20, 21-50
Unit Configurations
Utilities/Impact Fees
Share Project In Pairs

Group Debrief

End of Day 1
Session 3: Who’s Going to Invest In Your Project?
Objective:

- Understand required and optional elements in an investment package, how to present and summarize those in writing
- Examine example packages at different scales and intensity of projects (Three Story Walkup vs 4plex)
Sample Pitch Packages

Quadplex

Three Story Walk Up - Mixed Use
Financing Tiers for Take Out Loans

- Friends and Family Cash and Credit
- 30 Year Mortgage (Owner Occupant or Investor)
- SBA Loan - 7a or 504b
- Freddie Mac Small Balance (5-50 residential units)
- Bank Portfolio Loan (5, 7, 10 year with Balloon)
- Private Lending
Session Three

Multi-Year Cash Flow and Exit Strategies

Objective:

● Understand how building cash flow works over many years, stabilization and return of capital
● Understand how to look at deals to both hold and sell and how to keep options open for each throughout each stage of the process
# Multi-Year Cash Flow

## Cash Flow

**Construction/Lease-up**

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOI Appreciation</td>
<td>$152,986</td>
<td>$152,986</td>
<td>$158,340</td>
<td>$163,832</td>
<td>$169,618</td>
<td>$175,554</td>
<td>$181,699</td>
<td>$186,058</td>
<td>$194,640</td>
<td>$201,453</td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$117,886</td>
<td>$117,959</td>
<td>$122,179</td>
<td>$127,179</td>
<td>$132,364</td>
<td>$137,742</td>
<td>$143,319</td>
<td>$149,103</td>
<td>$155,101</td>
<td>$161,320</td>
<td></td>
</tr>
</tbody>
</table>

Refinance parameters:
- 80% LTV
- 7.25% cap rate

**Leveraged Cash Flow**

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$12,141</td>
<td>$8,528</td>
<td>$13,349</td>
<td>$18,348</td>
<td>$43,654</td>
<td>$48,231</td>
<td>$55,015</td>
<td>$61,013</td>
<td>$67,232</td>
<td></td>
</tr>
</tbody>
</table>

## Distributions

**Capital Reserves**
5% of Cash Flow

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>($807)</td>
<td>($426)</td>
<td>($667)</td>
<td>($917)</td>
<td>($4,598)</td>
<td>($2,183)</td>
<td>($2,462)</td>
<td>($2,751)</td>
<td>($3,051)</td>
<td>($3,362)</td>
</tr>
</tbody>
</table>

**Leveraged Cash Flow**

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$11,534</td>
<td>$8,132</td>
<td>$12,681</td>
<td>$17,431</td>
<td>$87,371</td>
<td>$41,471</td>
<td>$46,770</td>
<td>$52,264</td>
<td>$57,962</td>
<td>$63,870</td>
</tr>
</tbody>
</table>

**Value of Collateral - Capital Partner**

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$310,296</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Preferred Return**
6.00% IRR

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>($11,534)</td>
<td>($8,102)</td>
<td>($12,681)</td>
<td>($17,431)</td>
<td>($20,282)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

**Cash Flow for Distribution**

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$67,090</td>
<td>$41,471</td>
<td>$46,770</td>
<td>$52,264</td>
<td>$57,962</td>
<td>$63,870</td>
</tr>
</tbody>
</table>

**Capital Partner**
50%

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>($33,545)</td>
<td>($20,736)</td>
<td>($23,385)</td>
<td>($26,132)</td>
<td>($28,981)</td>
<td>($31,905)</td>
</tr>
</tbody>
</table>

**Operating Partner**
50%

<table>
<thead>
<tr>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>($33,545)</td>
<td>($20,736)</td>
<td>($23,385)</td>
<td>($26,132)</td>
<td>($28,981)</td>
<td>($31,905)</td>
</tr>
</tbody>
</table>
Structuring Your Deal and Legal Entities

Objective:

● Discussion of sources of capital and expectations by each type, how to align interests
● Exploration of basic legal entities used to own and operate buildings to protect development team members and projects from each other
Deals and Legal Entities

Deal Structure
- When and when not to have a partner
- Private Debt and Equity
- Return of Principal
- IRR and Cash Flow Splits

Legal Entities
- Owned by Person, Company or LLC
- Role of Managing Partner
- Operational vs Project
Session 4: Presenting Your Project
Session Four

Telling the Story of Your Project

Objective:

- Learn about the different audiences who will need to hear about your project and what they care about
- Create talking points about your project to meet the needs of each audience type
Session Four

Project Presentations

Objective:

- Organize your project details for the first time and present to peers and faculty
- Get both technical and presentation feedback on project.
IncDev Alumni Projects
“Houses I bought that cost LESS than the student loan debt I acquired via my B.S. Degree”

Bernice Radle – Buffalo/Niagara Falls, New York
Capt.  Ryan Terry  USMC
Bryan, Texas

New Construction Quadplexes With Non-Residential Space

“Won” City RFP to Develop Downtown Block into Mixed Use/Residential
First New Construction Residential Buildings in Downtown in 40+ years
Negotiated Incremental Approach to Lot Purchase
Phase 1 – 500 North Bryan Ave

Towards Downtown
Buildings Leased in Q1 2018
Each Lot Eligible for VA Permanent Mortgage
New Construction Cottages on Vacant Lots

Leverage Their Workforce Development Program for Returning Citizens and Youth in Trades to build Housing for rent for Program Participants, low income populations

Sell selected cottages/lots to mid income buyers to help build overall project equity
New Jerusalem Baptist Church / Integrity CDC

Rezone to Maximize Rear of Sites

Build Front of Lots By-Right

14 Units with
4 Layout Possibilities
1 and 2 Bedroom
Example Cottages
Example Floor Plans and Elevations
The Call to Action

.............................

Cultivate Small Developers
Through Training, Mentoring and Small Business Support

Gather Investment Partners/Facilitators
Leverage Land Ownership and Pre-Arrange Access to Financial Capital

Collaborate with Small Development Champions
Work out the projects you want on paper, re-legalize the built environment through regulatory reform and pioneer first projects so small operators can follow
March 26, 2020

Small Scale Development Seminar

Early Bird: $49
Regular: $69
Last Minute: $89

University of Oklahoma
865 Research Pkwy, St 300
Oklahoma City, OK

incrementaldevelopment.org/events/okcseminar