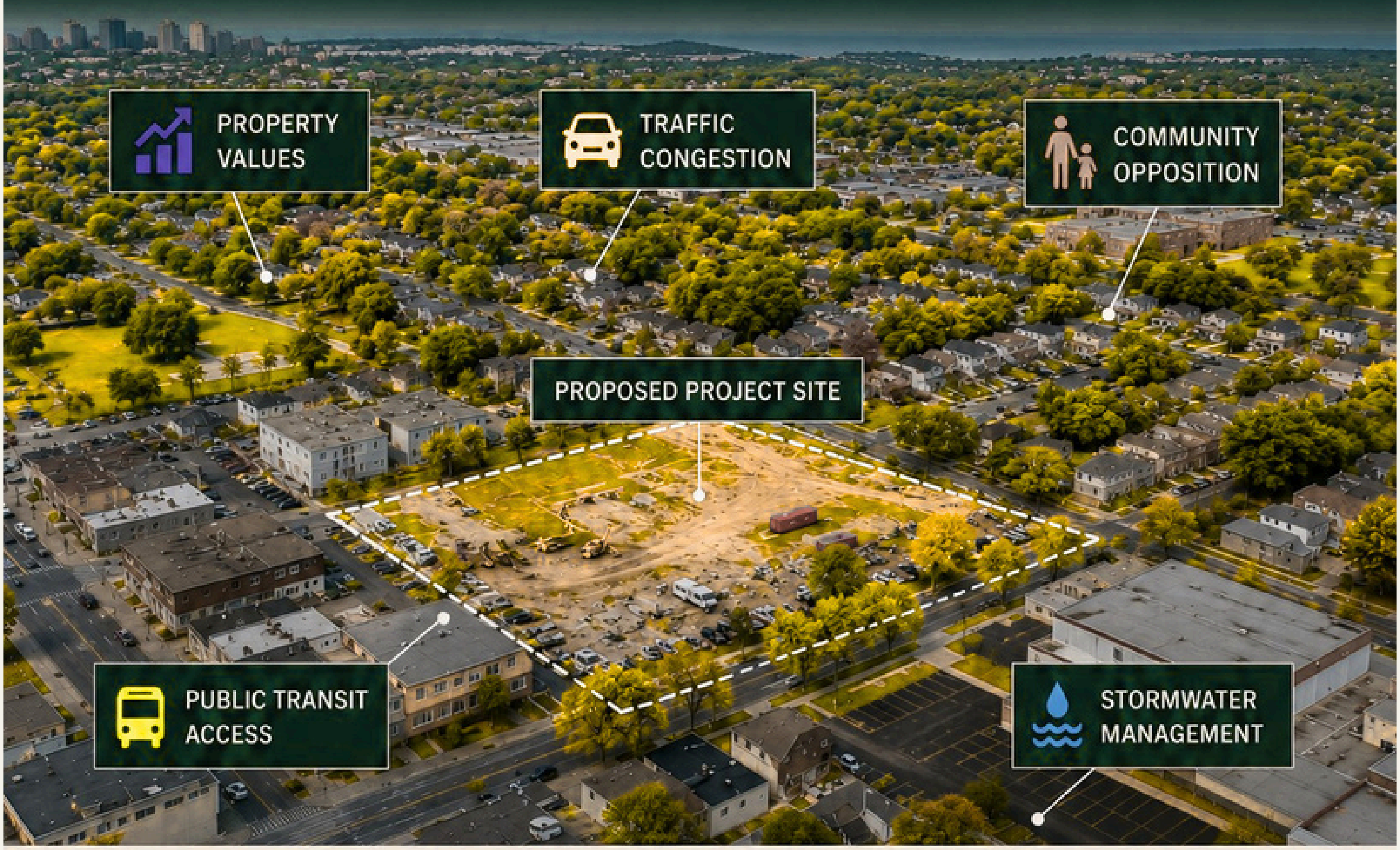
RC FUNDING, LLC

REDEVELOPMENT INSIGHT & STRATEGY

12 HIDDEN RISKS THAT CAN DERAIL A DEVELOPMENT BEFORE FINANCING

What Developers Should Identify Before They Spend Too Much, Commit Too Early or Approach Capital



THIS GUIDE HELPS YOU IDENTIFY RISKS BEFORE YOU:

INVEST
time and money in due diligence

COMMIT
to a project or purchase

APPROACH
public agencies or the community

SEEK
financing or capital partners

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THE RISKS ARE OFTEN OUTSIDE THE PROPERTY LINE

A development site can look workable while surrounding conditions create cost, approval, community, infrastructure and financing risk.

Use the 12-risk review that follows to look beyond the parcel itself and identify what still needs to be verified before major commitments or serious capital conversations.

Before You Chase the Capital, Pressure-Test the Project

Most development problems do not begin when a lender says no. They begin earlier - when a site constraints are missed, an approval is assumed, infrastructure capacity is taken for granted, a public incentive is counted too soon, or a project is presented to the community after the major decisions have already been made.

Those issues eventually show up in the financing conversation because lenders and equity partners are underwriting more than the real estate. They are underwriting whether the project can actually get approved, built, stabilized, and exited on the proposed schedule and budget.

This guide is designed as an early warning system. It is not a substitute for legal, engineering, environmental, tax, appraisal, or other professional due diligence. Instead, it helps a developer ask better questions before committing too much time, money, or credibility to assumptions that have not been tested.

The goal: find the risk while it is still cheap to solve.

How to use this guide

Review all 12 risks at concept stage, again before site acquisition or major non refundable expenditures, and once more before approaching serious capital sources. For each risk, decide whether it is **Confirmed**, **Needs Verification**, or **Material Concern**. Anything in the last two categories should have an owner, a next action, and a deadline.

RISK 01

The Site Works on Paper - But Not in Practice

Why it is hidden

A parcel can look ideal because the acreage, price, visibility, or location fits the concept. The hidden problem is that the usable development envelope may be much smaller than the gross site. Setbacks, easements, wetlands, floodplain, topography, access restrictions, stormwater requirements, utility corridors, or unusual parcel geometry can materially change what can actually be built.

Questions to ask now

- What percentage of the site is truly developable?
- Are there recorded or unrecorded access, utility, drainage, or other easements?
- Does the concept still work after realistic parking, circulation, loading, open-space, and stormwater needs are added?

Risk-reduction move

Before treating the land price as attractive, test the concept against the physical site. A quick conceptual test-fit and constraints map can prevent a developer from buying acreage that cannot support the intended program.

RISK 02

Zoning Is Technically Possible - But the Entitlement Path Is Not

Why it is hidden

A use may be described as allowable while still requiring a rezoning, special use, variance, planned development approval, design review, traffic study, public hearing, or discretionary political action. Each additional approval introduces schedule, cost, redesign, and denial risk.

Questions to ask now

- Is the project by-right or discretionary?
- Which approvals are administrative and which require a board, commission, or elected body?
- What is the realistic sequence and timing - including resubmittals and public hearings?

Risk-reduction move

Build an entitlement road map before locking the schedule or financing assumptions. The important question is not simply, 'Can this use be approved?' It is, 'What has to happen, who has to say yes, and what could change along the way?

RISK 03

The Infrastructure Exists - But Capacity Does Not

Why it is hidden

Water, sewer, power, gas, telecom, road access, and stormwater infrastructure may be physically nearby without having sufficient capacity for the proposed development. Required upgrades can become a major unplanned capital item, and utility timelines can be longer than the developer's construction schedule.

Questions to ask now

- Has actual capacity been confirmed with the provider?
- Who pays for off-site improvements, extensions, substations, lift stations, road work, or signalization?
- Does the utility's delivery schedule match the development schedule?

Risk-reduction move

Treat utility capacity as a threshold feasibility issue, not a late-stage engineering detail. Obtain written or documented confirmation whenever possible and carry realistic upgrade costs and timing in the model.

RISK 04

Environmental Conditions Are Bigger Than the Phase I

Why it is hidden

A Phase I Environmental Site Assessment is an essential starting point, but redevelopment risk can extend beyond a simple 'clean' or 'recognized environmental condition' conclusion. Historic fill, underground structures, vapor, groundwater, adjacent-site migration, demolition materials, geotechnical issues, wetlands, and cleanup obligations can affect design, cost, financing, insurance, and schedule.

Questions to ask now

- Does the site's historic use suggest issues beyond the initial report?
- Could remediation affect excavation, foundations, stormwater, or phasing?
- Are environmental responsibilities clearly allocated in the purchase agreement and capital plan?

Risk-reduction move

Match the diligence scope to the site's history and intended redevelopment. Environmental complexity is not always a reason to walk away, but unknown responsibility is a serious risk.

RISK 05

The Community Learns About the Project Too Late

Why it is hidden

Developers often treat community engagement as something that happens after the plan is largely complete. That can turn understandable concerns about traffic, design, displacement, jobs, noise, affordability, or neighborhood character into organized opposition. Even a code-compliant project can lose time and political support if stakeholders believe decisions were made without them.

Questions to ask now

- Who will be affected by the project and who already has influence?
- What concerns are predictable before the first public meeting?
- Which project features or community benefits could be shaped early without damaging feasibility?

Risk-reduction move

Engage before the project is fully hardened. Early listening can reveal manageable issues while there is still room to adjust the design, operating plan, phasing, or benefit strategy. Community support is increasingly part of project-readiness thinking, not merely public relations.

RISK 06

The Public-Sector Partner Is Supportive - But Not Aligned

Why it is hidden

A mayor, development director, economic development agency, planning staff, council member, or redevelopment authority may like the concept, but that does not mean the public side is internally aligned. Different departments can have conflicting priorities, timelines, legal authority, funding constraints, or expectations.

Questions to ask now

- Who actually controls each approval, incentive, land transaction, or infrastructure commitment?
- Are staff and elected leadership aligned on the project?
- Are verbal expressions of support being mistaken for authorized commitments?

Risk-reduction move

Map the public decision structure. Identify the sponsor, approvers, technical reviewers, funding authorities, and likely pressure points. Do not underwrite a handshake as if it were an executed agreement.

RISK 07

The Incentive Looks Valuable - But It Does Not Match the Capital Need

Why it is hidden

TIF, tax abatements, grants, credits, bonds, C-PACE, infrastructure participation, and other tools can improve project economics, but their value depends on eligibility, timing, reimbursement rules, security, approvals and whether the benefit can actually be used by the project.
A large headline incentive may do little to solvean early cash gap.

Questions to ask now

- When does the money or benefit actually become available?
- Is it upfront capital, reimbursement, tax savings, or a future revenue stream?
- Can it be assigned, monetized, pledged, or counted by the senior lender?

Risk-reduction move

Model incentives by timing and usability, not just nominal value. Align each public or tax-based tool with the specific gap it is intended to solve.

RISK 08

The Capital Stack Is Complete - But the Pieces Do Not Fit Together

Why it is hidden

A project can show enough total dollars and still be unfinanceable. Senior debt, subordinate debt, preferred equity, common equity, public funding, seller financing, tax credits, and grants each carry different closing conditions, priorities, covenants, return expectations, and timing.

Questions to ask now

- Do all capital sources recognize the same total development cost and valuation?
- Are intercreditor, lien-priority, guaranty, and distribution requirements compatible?
- Can every source close when the project actually needs the funds?

Risk-reduction move

Create a sources-and-uses schedule tied to a closing and draw timeline. The test is not whether the sources equal the uses; it is whether the sources can legally and practically coexist.

RISK 09

The Pro Forma Is Accurate - But the Assumptions Are Too Fragile

Why it is hidden

A spreadsheet can calculate perfectly while the underlying assumptions remain vulnerable. Small changes in interest rate, construction cost, lease-up, rents, operating expenses, exit cap rate, sales pace, or entitlement timing can materially change returns and required equity.

Questions to ask now

- Which three assumptions have the greatest effect on returns?
- What happens if construction starts six months later?
- What happens if costs rise, rents soften, or the exit value is lower than expected?

Risk-reduction move

Run downside cases before presenting the project as capital-ready. A lender or equity partner will stress the deal; the sponsor should know the weak points first.

RISK 10

The Budget Includes Construction - But Not the Cost of Delay

Why it is hidden

Development budgets often account for hard and soft costs but understate the financial effect of time. Extended entitlement, redesign, utility delays, financing extensions, carrying costs, taxes, insurance, security, escalation, and professional fees can consume contingency before construction begins.

Questions to ask now

- What does each month of delay cost?
- Which approvals or third parties sit on the critical path?
- Are loan maturity, rate-lock, land-control, and incentive deadlines synchronized with the schedule?

Risk-reduction move

Put a monthly carrying-cost number on delay and include schedule contingency. Time is a project cost and should be underwritten like one.

RISK 11

The Development Team Is Strong - But a Critical Capability Is Missing

Why it is hidden

A project may have an experienced developer, architect, contractor, and lender while still lacking a capability that is decisive for that particular site - environmental strategy, municipal navigation, community engagement, historic preservation, utility coordination, hospitality operations, gaming expertise, tax-credit structuring, or another specialty.

Questions to ask now

- What is unusual about this project compared with the team's prior work?
- Who owns each major risk category?
- Is anyone responsible for integrating the technical, public, community, and capital issues into one strategy?

Risk-reduction move

Do a capability-gap review at the beginning. Add targeted expertise before the missing capability becomes an emergency consultant assignment.

RISK 12

The Exit Strategy Depends on Conditions the Developer Does Not Control

Why it is hidden

Many projects are underwritten around a refinance, sale, permanent loan, lease-up level, buyer pool, cap rate, tax treatment, or operating performance that will exist months or years later. The more the projected return depends on favorable future conditions, the more exposed the project is to market and capital-cycle risk.

Questions to ask now

- What must be true at exit for the projected return to occur?
- Is there a viable hold or refinance alternative if the sale market weakens?
- How much additional equity would be required if permanent financing proceeds are lower?

Risk-reduction move

Underwrite at least one credible alternative exit. A resilient project should have a path forward if the preferred capital-market outcome is delayed or unavailable.

The 12-Risk Project Readiness Scorecard

Use thispageas aquick internalscreen. The purpose is notto make everyrisk disappear. The purpose is to know which risks are real, how they affect the project, and what you are doing about them.

	Risk	Confirmed	Verify	Concern
1	The Site Works on Paper - But Not in Practice	■	■	■
2	Zoning Is Technically Possible - But the Entitlement Path Is Not	■	■	■
3	The Infrastructure Exists - But Capacity Does Not	■	■	■
4	Environmental Conditions Are Bigger Than the Phase I	■	■	■
5	The Community Learns About the Project Too Late	■	■	■
6	The Public-Sector Partner Is Supportive - But Not Aligned	■	■	■
7	The Incentive Looks Valuable - But It Does Not Match the Capital Need	■	■	■
8	The Capital Stack Is Complete - But the Pieces Do Not Fit Together	■	■	■
9	The Pro Forma Is Accurate - But the Assumptions Are Too Fragile	■	■	■
10	The Budget Includes Construction - But Not the Cost of Delay	■	■	■
11	The Development Team Is Strong - But a Critical Capability Is Missing	■	■	■
12	The Exit Strategy Depends on Conditions the Developer Does Not Control	■	■	■

Red-flag rule: If a material assumption is still unverified, do not present it to a lender or investor as a settled fact. Present the issue, the diligence underway, the likely range of outcomes, and the mitigation plan.

What Capital Sources Want to See

A polished rendering can create interest, but serious capital conversations move quickly toward readiness. A financeable package typically needs a coherent story across the project program, costs, schedule, entitlements, operating assumptions, capital structure, sponsor capability, and due diligence. The strongest presentation is not the one that claims there are no risks; it is the one that shows the important risks have been identified and managed.

Before your next financing conversation, be ready to explain:

- What is already confirmed versus still in diligence
- The entitlement and approval path
- Site, environmental, infrastructure, and access constraints
- Total development cost, contingency, and sources-and-uses
- Sponsor equity and remaining capital need
- Public incentives - including timing and conditions
- Community and political considerations
- Downside cases and the mitigation strategy
- The proposed exit and at least one alternative path

A project does not become capital-ready because the financing request is clear. It becomes capital-ready when the project it self is clear.

Where RC Funding Fits

RCFunding helps developerslookat the projectbefore simply looking for the loan. Our Redevelopment Insight & Strategy approach focuses on the issues that can affect feasibility, public-sector alignment, capital readiness, and the path to financing.

Our work can include Project Context Analysis, Development Finance Alignment, Risk Mitigation Strategy, and Financing & Capital Pathway Development. Financing placement may be available as an optional service when appropriate.

If several of these 12 risks are still unresolved, the next step may not be a lender list. It may bea better project strategy.

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