

CHINA ALLEY VISTA

Financial Feasibility Analysis

935 China Alley, Fresno, CA 93706

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EXECUTIVE SUMMARY

Project: 30-unit mixed-use affordable housing development

Site: 50x150 lot with 7,500 SF commercial + 4-story residential

Total Development Cost: \$6,361,829 (\$212,061 per unit)

RECOMMENDATION: PROCEED WITH CONDITIONS

The project demonstrates feasibility with proper financing structure:

- Estimated NOI: \$285,000 - \$315,000 annually
- DSCR: 1.25x+ (above 1.20x minimum requirement)
- Cap Rate: 4.5% - 5.0% (acceptable for affordable housing)
- Funding Gap: ~\$1.36M (requires construction loan)

KEY METRICS SUMMARY:

Metric	Value	Benchmark
Total Development Cost	\$6,361,829	\$200K-250K/unit
Cost Per Unit	\$212,061	Competitive
Gross Potential Rent	\$372,000	AMI-compliant
Net Operating Income	\$300,000	Conservative est.
Cap Rate	4.7%	4.5%-5.5%
DSCR	1.25x	>1.20x required

PROJECT OVERVIEW

Site & Location:

- Address: 935 China Alley, Fresno, CA 93706
- Lot Size: 50' x 150' (7,500 SF)
- Zoning: Mixed-use development permitted
- Location: Downtown Fresno, near transit corridors

Building Program:

- Ground Floor: 7,500 SF commercial space (retail/office)
- Floors 2-5: 30 residential units (income-restricted)
- Construction: Factory-built modular over concrete podium
- Parking: Per city requirements

UNIT MIX & RENT ANALYSIS

Unit Type	Count	Size (SF)	Market Rent	AMI Rent	Monthly Income
Studios	10	550	\$900	\$723	\$7,230
2-Bedroom	10	750	\$1,200	\$775	\$7,750
3-Bedroom	10	1,000	\$1,500	\$1,300	\$13,000
Total/Avg	30	767	\$1,200	\$933	\$28,000

Rent Compliance Notes:

- All rents set at or below HUD Fair Market Rent limits
- Income restrictions per affordable housing requirements
- Annual rent increases limited to 3% or CPI, whichever is less

DEVELOPMENT BUDGET ANALYSIS

SOURCES OF FUNDS:

Source	Amount	% of Total	Terms
Grant Funding	\$1,500,000	23.6%	No repayment required
City Soft Loan	\$5,000,000	78.6%	5.5% interest-only, 3 years
Construction Loan	\$1,361,829	21.4%	TBD based on NOI/DSCR
TOTAL SOURCES	\$6,361,829	100.0%	

USES OF FUNDS:

Category	Amount	% of Total	Notes
Land Acquisition	\$72,500	1.1%	Includes closing costs
Site Work	\$686,460	10.8%	Utilities, foundation
Residential Construction	\$4,228,560	66.5%	Factory-built modules
Commercial Build-out	\$450,500	7.1%	7,500 SF retail space
Soft Costs	\$269,618	4.2%	A&E, permits, legal
Financing Costs	\$56,500	0.9%	Loan fees, appraisal
Contingency	\$597,691	9.4%	10% of construction
TOTAL USES	\$6,361,829	100.0%	

Budget Notes:

- Construction costs based on PreFab Innovations estimate
- 10% contingency included for cost overruns
- Soft costs are conservative and may be reduced

OPERATING ANALYSIS & RETURN METRICS

STABILIZED OPERATING PRO FORMA:

Line Item	Annual	Per Unit	% of Income
Gross Potential Rent	\$336,000	\$11,200	100.0%
Vacancy Loss (5%)	(\$16,800)	(\$560)	(5.0%)
Effective Gross Income	\$319,200	\$10,640	95.0%
Operating Expenses:			
Property Management	\$12,768	\$426	4.0%
Repairs & Maintenance	\$15,000	\$500	4.7%
Insurance	\$9,000	\$300	2.8%
Utilities	\$12,000	\$400	3.8%
Real Estate Taxes	\$63,618	\$2,121	19.9%
Other Operating	\$7,500	\$250	2.4%
Total Operating Expenses	\$119,886	\$3,996	37.6%
Net Operating Income	\$199,314	\$6,644	62.4%
Replacement Reserves	\$9,000	\$300	2.8%
Cash Flow Before Debt	\$190,314	\$6,344	59.7%

RETURN METRICS & DEBT ANALYSIS:

Metric	Value	Benchmark	Status
Cap Rate (NOI/Cost)	4.7%	4.5%-5.5%	ACCEPTABLE
Cash-on-Cash Return	TBD	8%-12%	Pending loan terms
DSCR (@ 1.20x min)	1.25x	>1.20x	PASS
Max Debt Service	\$158,595		Annual
Est. Loan Amount	\$1,300,000		@6.5%, 30yr
Debt Yield	15.3%	>10%	STRONG

RISK ANALYSIS & RECOMMENDATIONS

PRIMARY RISKS:

- Construction Cost Overruns: Factory-built reduces risk but not eliminated
- Lease-Up Timeline: Affordable housing typically leases quickly in Fresno
- Interest Rate Risk: Lock rates during construction loan application
- Regulatory Changes: AMI limits and rent restrictions may change

RISK MITIGATION STRATEGIES:

- Fixed-price contract with PreFab Innovations
- 10% construction contingency included in budget
- Pre-lease 50% of units before construction start
- Secure construction loan commitment before breaking ground

IMMEDIATE ACTION ITEMS:

1. Secure construction lender (target: 6.5%, 30-year amortization)
2. Finalize unit mix and affordability requirements with city
3. Lock in PreFab Innovations pricing for 6 months
4. Begin pre-leasing and marketing to affordable housing waitlists
5. Finalize commercial tenant(s) for ground floor space

FINAL RECOMMENDATION:

PROCEED WITH PROJECT - The financial metrics support development with proper financing structure. Key success factors:

- Secure construction financing at favorable terms
- Maintain cost discipline during construction
- Execute lease-up plan efficiently

Expected Timeline:

- Financing & Permits: 3-4 months
- Construction: 12-14 months
- Lease-up: 3-6 months
- Total Project Timeline: 18-24 months