



Development Capital: Milestones That Matter

Map capital needs to project gates so internal teams align before the first external meeting.

1. Entitlements & path to vertical

Entitlements are where development schedules quietly die or earn credibility. A sponsor narrative that jumps straight to vertical start without naming hearings, appeals, and third-party sign-offs will not survive serious allocator review.

2. Budget, contingency & change control

Budget discipline starts with honest buckets: hard costs, soft costs, finance charges, and reserves, each with an owner who can explain variance. Committees look for where estimates historically drift on similar product types in your market.

3. Schedule, critical path & delivery

Schedule credibility comes from critical path clarity: long-lead equipment, trade sequencing, and realistic buffers for weather and labor tightness. A Gantt chart without named risks is decoration, not diligence.

4. Capital calls, carry & liquidity

Development finance is a cash-flow puzzle: equity tranches, construction draws, interest carry, and working capital need to line up with the schedule you are selling. Misalignment here is a leading cause of distressed restructures that were “on budget” on paper.

5. Stabilization, exit & sensitivity

Stabilization is where development underwriting meets asset reality. Lease-up or sale timelines should connect to an NOI bridge that reflects market velocity, not just pro forma pace. Sponsor track record on similar product is evidence, not marketing.



ENTITLEMENTS & PATH TO VERTICAL

Entitlements are where development schedules quietly die or earn credibility. A sponsor narrative that jumps straight to vertical start without naming hearings, appeals, and third-party sign-offs will not survive serious allocator review.

Be explicit about what could delay first work on site: utility relocations, easements, agency staffing, or neighbor opposition. Then show how you communicate slippage early, with revised gates and capital implications, rather than surprising partners at a draw request.

Capital partners are not allergic to risk; they are allergic to opacity. A clear entitlement map with owners, dates, and dependencies is one of the highest ROI pages in a development deck.

Attach realistic buffers to political processes: councils change, staffs turn over, and continuances happen. Experienced sponsors show base, delayed, and stressed entitlement paths, even when the optimistic path is still the working plan.

If your story depends on rezoning or variances, summarize precedent in the municipality: approvals of similar scope in the recent past, appeals risk, and what neighbors typically challenge. Silence on precedent reads like hope, not homework.

Describe what “ready for vertical” means mechanically: permits issued, utilities cleared, and erosion controls cleared to start, not a mood. That definition becomes the hinge your capital calendar references.

Key takeaways

- Key approvals, hearing risk, and realistic dates to first work on site.
- Appeals, conditions, and third-party dependencies that slide schedules.
- How you’ll communicate slip scenarios to capital without losing credibility.



BUDGET, CONTINGENCY & CHANGE CONTROL

Budget discipline starts with honest buckets: hard costs, soft costs, finance charges, and reserves, each with an owner who can explain variance. Committees look for where estimates historically drift on similar product types in your market.

Change control is governance, not paperwork. Who can authorize scope, in what dollar bands, and how quickly decisions get recorded determines whether a project stays investable when conditions change midstream.

Contingency should have release rules tied to inspections, lender requirements, and verified progress, not optimism. A well-run contingency narrative reads like a risk dial you can turn down as evidence accumulates, not a slush fund that masks estimating gaps.

Separate owner-directed scope from construction-driven variance: sponsors who blur the line lose credibility fast when surprises stack. Transparent buckets make blameless problem-solving possible.

Stress-test commodity and labor inflation on the trades that dominate your timeline (steel, lumber, HVAC, envelope), especially when sourcing is volatile. Explain what you locked, what floats, and what hedge or alternate spec exists.

Provide a reconciliation bridge from underwriting to GC budget: exclusions, allowances, and carry items that frequently reappear at GMP. Committees reward sponsors who anticipate re-openers instead of reacting to them.

Key takeaways

- Hard and soft cost buckets, reserves, and where estimates usually drift.
- Change-order process and who can authorize scope and dollars.
- Contingency release rules tied to inspections and lender requirements.



SCHEDULE, CRITICAL PATH & DELIVERY

Schedule credibility comes from critical path clarity: long-lead equipment, trade sequencing, and realistic buffers for weather and labor tightness. A Gantt chart without named risks is decoration, not diligence.

Milestone definitions should match how money moves: draws, equity tranches, and lender inspections. When milestones are vague, disputes arrive exactly when liquidity is thinnest.

Quality control checkpoints prevent late-stage surprises that erase returns. Tie inspections to payment releases and document who signs off, so execution risk is managed with the same discipline as capital structure.

Call out parallel work that looks safe on paper but fails in the field: shared crane picks, turnover zones, or envelope work during rough weather seasons. Narrative honesty here prevents magical thinking on parallel paths.

Ask for trade letters or vendor commitments when lead times drive the critical path; generic assumptions about equipment arrival dates fail first when supply chains tighten.

Summarize near-term versus long-term float: where schedule risk converts into carry cost versus where it pushes completion into a weaker leasing or sales window.

Key takeaways

- Critical path trades, long-lead items, and weather or labor buffers.
- Milestone definitions that match draw requests and equity tranches.
- Quality control checkpoints that prevent late-stage surprises.



CAPITAL CALLS, CARRY & LIQUIDITY

Development finance is a cash-flow puzzle: equity tranches, construction draws, interest carry, and working capital need to line up with the schedule you are selling. Misalignment here is a leading cause of distressed restructures that were “on budget” on paper.

Partners care about liquidity and completion risk in plain terms: minimum cash on hand, guaranty scope, and what happens if the capital stack needs to absorb a six-month slip. Say it early so the conversation stays strategic, not adversarial.

A simple +90 / +180 day slip table answers the question every IC asks quietly: what breaks first (covenant headroom, sponsor liquidity, or lender patience)? Two rows of honest math beats ten pages of narrative.

Expose the sequencing of sponsor capital versus third-party draws: delays in equity funding often cascade into expensive bridge extensions or strained subcontractor relationships that do not appear in base schedules.

Discuss interest-rate caps or swaps where floating exposure can swamp small schedule slips, and show the net effect on required equity if rates jump a defined amount.

Identify the single choke-point month where multiple cash demands collide (draw, interest reserve top-up, land carry). Committees remember the month everything breaks, not the average monthly cash need.

Key takeaways

- Equity tranche timing versus construction draws and interest carry.
- Minimum liquidity and completion guarantees: what partners actually need.
- Scenario table: +90 / +180 days on the schedule; what breaks first.



STABILIZATION, EXIT & SENSITIVITY

Stabilization is where development underwriting meets asset reality. Lease-up or sale timelines should connect to an NOI bridge that reflects market velocity, not just pro forma pace. Sponsor track record on similar product is evidence, not marketing.

Exit optionality should be named: refinance, trade, or hold, and what data each path requires from day one. If the refi window depends on rate levels you do not control, say so and show the hold scenario as a first-class outcome, not a footnote.

Sensitivity grids that teams can reuse in weekly updates keep capital aligned without theatrics. Consistency beats novelty: the same drivers, the same format, updated with actuals versus plan.

Define stabilization with operational precision: certificates of occupancy, punch completion, lease commencement thresholds, or NOI hurdles, whatever matches your capital agreement. Vague 'substantially complete' language invites disputes when distributions begin.

Layer market absorption into your exit story: what lease/sale velocity implies for holding period, carry, and pricing power if you miss the first exit window.

Close with an explicit decision calendar: when the sponsor will recommend refi versus trade, what evidence triggers that call, and how capital partners participate in that decision without surprises.

Key takeaways

- Lease-up or sale timeline tied to NOI bridge and sponsor track record.
- Exit optionality: refi, trade, or hold, and the data each path requires.
- Simple sensitivity grid your team can reuse in every weekly update.