

## **Case Study: Office to Multifamily Conversion – Permitting Risk Exposure**

***Client Type: Real Estate Investor***

***Project Focus: Budget Validation & Risk Identification***

**Project Overview:** An investment group was preparing to convert an existing office building into a small scale apartment complex. With general contractor bids in hand and the permitting process set to begin, the project appeared ready to move forward. At this critical juncture, the client engaged StrideArc to provide a final review of the budget, plan assumptions, and readiness for submission.

### **Challenges:**

- **Incomplete Fee Assumptions:** The project team had included certain city permitting fees based on initial guidance but had misunderstood how one specific fee, an open space impact fee, was calculated.
- **Scaling Error:** The fee was assumed to be a one-time charge, when in fact, it applied per residential unit.
- **Timing Sensitivity:** The permitting process was about to begin, and misreporting fee totals could have led to delays, resubmittals, or budget shortfalls mid-process.

### **Solution:**

StrideArc reviewed all line items in the preliminary development budget and cross-checked fees against the city's current impact fee schedule. The open space fee discrepancy was quickly identified, showing that the per-unit fee had been applied only once, rather than multiplied across all planned units.

This oversight represented a shortfall of approximately \$135,000. Because the issue was caught before submissions, the development team was able to revise the financial model, notify equity partners, and secure an adjusted commitment before finalizing design or filing for permits.

### **Execution:**

StrideArc coordinated directly with the project manager and GC to verify that all related design implications were still viable. Because the revised budget was within the overall financing range, no changes were required to the scope or layout, avoiding a ripple effect through the architectural or entitlement process.

### **Results:**

The client was able to:

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- Avoid unexpected funding gaps during permitting
- Maintain their development schedule without costly redesign
- Strengthen internal team confidence and investor trust

Most importantly, the project proceeded with full visibility into actual soft costs—ensuring permitting fees were accurate, documented, and approved by all stakeholders.

### Key Takeaways:

- **Impact Fee Verification Matters:** Even small calculation errors can have major financial consequences in multi-unit developments.
- **Last-Minute Reviews Save Time:** Strategic reviews at the edge of permitting can prevent delays without interrupting momentum.
- **Clear Budgeting Builds Trust:** Identifying this issue early improved transparency with equity partners and protected investor confidence.