HIATUS
ADVISORY

FROM GAP TO GROUNDBREAKING · STAGE 01

Gap Analysis

A 1922 corner building, converted
Church Hill North, Richmond,
Virginia

Sample engagement. The building, the sponsors and the project figures are illustrative. The zoning, code, tax credit and program rules and the market anchors are real as of the date below.

Prepared for	Renata Vasquez and Tom Beal, Corner Hall LLC
Prepared by	Hiatus Advisory
Date	September 18, 2026

SUMMARY

What this analysis found

Hiatus Advisory reviewed the sponsors' plan to convert a two-story brick commercial building they have owned since 2019, 9,600 square feet on a corner in Church Hill North, into ten apartments and a commercial bay, on a $1.45 million budget with a 75 percent bank loan and a nine-month schedule.

THE HEADLINE

As drawn, the plan fails twice. The budget is about $520,000 light for a change of occupancy in a 1922 building, and the ground floor does not comply with the zoning district. As financed, the project yields 4.4 percent on cost, which no lender will fund. The same building, kept as a contributing historic structure and rehabilitated to the Standards, qualifies for federal and Virginia credits worth $1.07 million at face and about $848,000 in cash, plus a fifteen-year tax exemption that costs the sponsors nothing in rent. With those, the yield is 6.8 percent and the project works. The plan to replace the windows with vinyl would have forfeited all of it to save $26,600.

$151 / sf	$205 / sf	4.4%	6.8%
SPONSORS' RENOVATION BUDGET	HIATUS READ, RANGE $185 TO $245	YIELD ON COST, NO CREDITS	YIELD ON COST, CREDITS AND ABATEMENT

The findings

1. The budget is a rule of thumb, not an estimate. $150 a foot came from a contractor who had not seen the upper floor. It carries no sprinklers, no second exit stair, no structural evaluation, no hazardous materials survey and no contingency, in a building that needs all five. Hiatus carries $205 per square foot, $1.97 million, plus a 10 percent contingency.

2. The ground floor plan is not permitted. The UB district allows dwelling units only above the ground floor or behind commercial space, and requires the commercial area to be at least one third of the ground floor and 20 feet deep along the whole principal frontage. A 1,400 square foot bay with two apartments at the corner fails both tests. The fix is a 1,600 square foot bay and three apartments at the rear, eleven units in all.

3. The credits are the project. Federal and Virginia historic rehabilitation credits total 45 percent of qualified cost: $1,070,650 at face, about $848,000 realized through an investor member. Without them the yield on cost is 4.4 percent against a 6.25 percent capitalization rate. With them, and the City's fifteen-year affordable housing exemption, 6.8 percent.

4. The affordability restriction is free. The exemption needs 30 percent of units for households at or below 80 percent of area median income. The City's 2026 one-bedroom rent limit at that income is $1,703 with utilities; the rent roll carries $1,495. Four restricted units cost no revenue.

5. Credits arrive after the work, not during it. The $848,000 funds after the building is placed in service and certified. Construction needs $1.1 million of equity before that; the sponsors have $670,000 in the building and cash. The gap is $431,000 permanently and $1.28 million at the peak.

WHAT FOLLOWS

Sections 01 to 04: the building, zoning and historic review, the code path, the cost. 05: the credits. 06: revenue and the result. 07 to 10: capital, context, readiness, next steps.

SECTION 01

The building and the program

ITEM	DETAIL
Location	Corner of a neighborhood commercial street and a residential side street, Church Hill North, Richmond. A live engagement records the address, parcel and legal description
Building	Two stories, load-bearing brick, built 1922 as a grocery and dry goods store with a fraternal hall above. 60 by 80 foot footprint, 9,600 gross sf, flat roof, 38 window openings, two storefront bays on the principal frontage, rear yard on the alley
Lot	7,500 sf. No off-street parking, none required
Zoning	UB Urban Business District, Richmond Code Sec. 30-433
Historic status	Contributing structure in the Church Hill North Historic District (National Register, listed 1997, expanded 2000); inside the City's Church Hill North Old and Historic District (2007)
Condition	Ground floor last occupied by a print shop, vacant since 2023. Upper floor used for storage, original wood windows, pressed tin ceiling, open plan. No condition assessment, structural evaluation or hazardous materials survey exists
Ownership and basis	Owned by Corner Hall LLC since 2019, purchased for $520,000; $180,000 mortgage remaining. Assessed at $560,000 ($410,000 improvements, $150,000 land). Broker's as-is opinion $650,000
Program as drawn	Ten apartments (eight up, two on the ground floor at the corner), a 1,400 sf commercial bay mid-block, vinyl replacement windows, dropped ceilings for ductwork. $1.45 million budget, 75 percent bank loan, nine months
Sponsors	Renata Vasquez, pharmacist; Tom Beal, high school teacher, owner and manager of three rental houses in the East End

Site control

The sponsors own the building outright, subject to a small mortgage, which removes the question that dominates most Stage 01 reviews. It introduces a different one. A building bought for $520,000 in 2019 and worth $650,000 today carries $470,000 of equity that the sponsors treat as free. It is not free; it is the equity a lender will count, and the project has to earn a return on it. The analysis carries the building at its as-is value, not its cost, so the sponsors can see what the conversion returns on what they actually have at risk.

The sponsors

Mr. Beal has bought, renovated and leased three houses within a mile of this building, manages them himself, and knows the tenant base. Ms. Vasquez brings a steady income and the discipline of a regulated profession to the paperwork, which is the part of a historic project most sponsors underestimate. Neither has run a commercial building permit, a change of occupancy, a Certificate of Appropriateness or a tax credit application. Those four processes are the project, and Section 07 lists the two people who have to join the team to run them.

> **WHAT THE SPONSORS ASKED**
>
> Their stated question was whether a bank would lend on the plan. The answer is that a bank will lend on a different plan, and the difference is the subject of this document.

SECTION 02

Zoning and historic review

The sponsors assumed a building on a commercial street could hold whatever mix of uses fit inside it. Richmond's UB district is more specific than that, and the specifics change the ground floor.

QUESTION	WHAT THE RULES SAY	SOURCE
Are apartments permitted	Yes, by right, in the same building as other permitted uses, provided the dwelling units are above the ground floor or to the rear of the commercial uses "so as not to interrupt commercial frontage"	Richmond Code Sec. 30-433.2(8)
How much ground floor must be commercial	At least one third of the ground floor area or 1,000 sf, whichever is greater, and not less than 20 feet deep along the entire length of the principal street frontage, except for entrances	Sec. 30-433.2(8)
Height	28 feet maximum in UB. No third floor and no rooftop addition by right	Sec. 30-433.8
Parking	None. Richmond repealed minimum parking requirements citywide in April 2023	City Council, April 2023
The rewrite	Richmond's citywide zoning rewrite is in its third draft and not adopted. This analysis applies the current ordinance	Code Refresh, third draft, August 2026
Exterior changes	A Certificate of Appropriateness from the Commission of Architectural Review is required for any exterior change inside a City Old and Historic District, including window replacement, storefront changes, paint on unpainted masonry and any addition	Old and Historic District Guidelines

FINDING

The ground floor is 4,800 square feet, so the commercial minimum is 1,600 square feet, not the 1,400 drawn, and it has to run the full 80-foot principal frontage at a depth of 20 feet. The two apartments the sponsors placed at the corner interrupt that frontage and are not permitted. Move them to the rear, add a third, and the building holds eleven units with a compliant 1,600 square foot bay. The change improves the project: the corner storefront is the most leasable commercial space on the block, and the rear units get the alley yard.

Two decisions that decide the historic outcome

The windows. The plan replaces 38 original wood windows with vinyl. The Commission will not approve it in an Old and Historic District, and the National Park Service will not certify it for the credits in Section 05: replacing repairable historic windows is the most common reason small rehabilitations fail the Secretary of the Interior's Standards. Repair, weatherstripping and interior storm panels cost about $1,600 per opening, $60,800, against $34,200 for vinyl. The $26,600 difference is the price of $848,000 in credit equity.

The ceilings. Dropping ceilings below the window heads to hide ductwork cuts across the glazing from outside, which the Standards treat the same way. Ductless heat pumps or a soffit held back from the exterior wall solve it, and the pressed tin ceiling upstairs is a feature a tenant pays for. Neither decision is a matter of taste; each is a compliance test with a dollar value, settled before an architect draws a line.

SECTION 03

The building code path

Converting a store and a hall into apartments is a change of occupancy under the Virginia Existing Building Code, from Mercantile and Storage to Residential Group R-2. The change triggers most of the cost the sponsors' budget omits. None of the items below is optional, and none is in the $1.45 million.

REQUIREMENT	WHAT IT MEANS HERE	BASIS	CARRIED
Fire sprinklers	A change of occupancy to R-2 requires an automatic sprinkler system throughout the area of the change: a 13R system on two floors, with a new water service sized for it	13 VAC 5-63-433.5	$78,000
Second means of egress	Eleven units on two floors need two exits from the upper floor; the hall has one stair. A second enclosed stair at the rear, or an exterior stair to the alley yard	VEBC, change of occupancy	$65,000
Fire separation	One-hour separation between the commercial bay and the units, and rated corridors. Existing lath and plaster in good condition counts toward the rating	VEBC Chapter 10	$32,000
Accessibility	Altering four or more R-2 units triggers Type B unit requirements. With no elevator, the ground-floor units carry the accessible route; confirm with the building official before design development	13 VAC 5-63-432.5	$18,000
Structural evaluation	The hall floor was framed for assembly loading and the roof for 1922 snow loads. A permit prerequisite and a lender condition; it decides whether the joists need sistering	VEBC Chapter 3; lender	$8,000, plus $45,000 allowance
Asbestos and lead	The owner must certify an asbestos inspection before a permit issues on any building permitted before 1985; pre-1978 lead paint rules apply. Survey first, then an abatement allowance	Va. Code §36-99.7; DOLI	$6,000, plus $40,000 allowance
Code-driven scope not in the budget	**Before the design fees, permit fees and contingency these items justify. Energy code upgrades to altered elements are in the per-foot cost**		**about $292,000**

FINDING

About $292,000 of the roughly $520,000 gap between the sponsors' hard cost and the Hiatus read is code-driven scope that a contractor who has not seen the second floor cannot have priced. The rest is the difference between finishing a house and finishing eleven apartments and a commercial bay to a lender's standard.

The order of operations

The hazardous materials survey and the structural evaluation cost $14,000 together and take three weeks. They are the first money the sponsors should spend, because their results set the floor of the budget and the schedule. The credit application (Section 05) runs alongside schematic design, and the Certificate of Appropriateness follows it, because the Commission will want to see the window and storefront treatment the Park Service has already approved. Building permits come last. The sponsors' schedule ran these steps in reverse.

SECTION 04

What the conversion costs

The sponsors' $1.45 million is $151 per gross square foot, all in, with $90,000 of soft costs and no contingency. Two comparable Richmond conversions anchor the Hiatus read. A four-story 1891 church in Union Hill, 20,000 square feet into 19 units with commercial space, was budgeted at $5.0 million, or about $250 per gross square foot, with state and federal credits secured (Richmond BizSense, August 19, 2026). The Commonwealth's own 2025 cost database lists historic renovation of institutional buildings in Richmond at $347 per square foot, an upper bound for a project with more finish than this one needs.

LINE	SPONSORS' BUDGET	HIATUS READ	WHAT CHANGED
Hard cost	$1,450,000	$1,968,000	$205 per gross sf against $151; code scope from Section 03, eleven kitchens and baths, envelope repair, window restoration, storefront repair, new services
Soft cost	$90,000	$275,520	14 percent of hard: architect with credit experience, structural and MEP engineering, credit consultant, DHR and NPS fees, permits, legal, surveys, insurance, lender costs
Contingency	none	$196,800	10 percent of hard. A 1922 building opened up for the first time in a century earns it
Financing	$82,296	$173,779	70 percent of cost at 9.25 percent for 16 months, 1.25 points; against 75 percent at 8.75 for 10 months
Building, at as-is value	$650,000	$650,000	Unchanged; the equity a lender counts
Total project cost	**$2,272,296**	**$3,264,099**	**Plus 44 percent**

HARD COST SENSITIVITY	$185 / SF	$205 / SF	$225 / SF	$245 / SF
Total project cost	$3,012,631	$3,264,099	$3,515,567	$3,767,035
Credit equity realized (Section 05)	$763,092	$848,193	$933,294	$1,018,395
Yield on cost, with credits and abatement	7.28%	6.78%	6.34%	5.96%

THE NUMBER THAT MATTERS

Every dollar of qualified rehabilitation cost comes back as 45 cents of credit at face and about 36 cents in cash, so an overrun costs the project roughly two thirds of its face amount. That softens the cost risk without removing it: $40 a foot of additional cost still takes 80 basis points off the yield, and above roughly $230 per square foot the project falls under the capitalization rate even with the credits. Two written contractor budgets on a real scope are a condition of proceeding, not a courtesy.

One line in the sponsors' budget is right. Their $28 per square foot commercial rent and $1,600 one-bedroom rent are within reach for the corner, and Section 06 carries figures below both. The cost side is where the plan was built on a number nobody had tested, and it is the side that a bank will test first.

SECTION 05

The historic credits

The sponsors had set the credits aside as paperwork disproportionate to a building this size. For an income-producing contributing building in a National Register district, they are the largest single source of capital available, and they are not competitive: a project that meets the Standards and clears the thresholds receives them.

PROGRAM	RULE	THIS BUILDING
Federal credit	20 percent of qualified rehabilitation expenditures on a certified historic structure. Substantial rehabilitation test: expenditures in a 24-month period must exceed the building's adjusted basis. Claimed ratably over five years from placed in service; recaptured on a sale within five years. Income-producing use required	Contributing structure, Church Hill North HD. Adjusted basis about $370,000; test met
Virginia credit	25 percent of eligible rehabilitation expenses. Material rehabilitation test for income-producing buildings: at least 50 percent of the building's assessed value in the year before work began. Per-taxpayer cap $7.5 million a year from taxable year 2025 (raised from $5 million in 2024). Ten-year carryforward; allocable to investor members of a pass-through entity, not sold outright	Threshold $205,000; test met

FROM COST TO CASH	AMOUNT	NOTE
Qualified rehabilitation expenditures	$2,379,222	Hard cost and contingency less $95,000 of site work, appliances and furnishings, plus eligible design, engineering, fees and construction interest
Federal credit at 20 percent	$475,844	Claimed over five years by whoever holds the tax position
Virginia credit at 25 percent	$594,806	Against Virginia income tax, allocable within the LLC
Credits at face	$1,070,650	45 percent of qualified cost
Realized: federal at 72 cents, state at 85 cents	$848,193	Illustrative pricing through an investor member who joins before completion; a live engagement obtains a quote
Net project cost after credit equity	**$2,415,906**	**Against $3,264,099 before**

THE WINDOWS, PRICED

Vinyl replacement saves $26,600 against restoration. It forfeits $848,193 of credit equity, the Certificate of Appropriateness, and the tax exemption in Section 06 that depends on the same rehabilitation. The most expensive $26,600 in the plan.

Three things to understand before relying on the number

The process runs through the Department of Historic Resources, which forwards to the National Park Service: Part 1 (significance), Part 2 (proposed work, approved before construction starts) and Part 3 (completed work). Work begun before Part 2 approval is at risk of denial, so the application, not the building permit, is the first milestone.

The money comes at the end. Credits are certified on completed work; an investor member funds most of the equity at Part 3, months after the last invoice. Construction is financed with the sponsors' equity and the bank, and Section 07 sizes the bridge.

The federal credit is hard for individuals to use. Passive activity rules limit how much a pharmacist and a teacher can absorb against their own income, which is why the analysis prices it through an investor, and why the Virginia credit, allocable to a Virginia taxpayer inside the LLC, is worth more per dollar here.

SECTION 06

Revenue, and the result

Rents below are carried under the sponsors' own figures and inside the public evidence: Richmond's average apartment rent is $1,439 (CoStar, September 2026), the citywide one-bedroom median is $1,280 and two-bedroom $1,459 (Apartment List, September 2026), newer buildings in Scott's Addition exceed $1,900, and the East End posted the strongest rent growth in the metro in early 2026 (Northmarq). Metro vacancy is 7.2 to 8.1 percent on a supply wave delivered elsewhere in the region; the rent roll carries 7 percent.

UNIT	COUNT	SIZE	RENT	PER SF	SPONSORS CARRIED
Studio, upper floor	2	430 sf	$1,225	$2.85	$1,300
One bedroom, upper floor	5	540 sf	$1,495	$2.77	$1,600
Two bedroom, upper floor corner	1	800 sf	$1,895	$2.37	$2,000
One bedroom, ground floor rear, yard	3	620 sf	$1,575	$2.54	$1,650 (two units)
Commercial bay, corner	1	1,600 sf	$22 / sf NNN		$28 / sf, 1,400 sf
Residential rent per month, eleven units			**$16,545**		**$15,900, ten units**

OPERATING RESULT	HIATUS READ	NOTE
Gross potential income	$240,340	Residential $198,540, commercial $35,200, utility recovery and storage $6,600
Vacancy and credit loss, 7 percent	−$16,824	Sponsors carried 5
Operating expenses, 36 percent of collections	−$80,466	Taxes at $1.20 per $100 on the new assessment, insurance, management, repairs, reserves. Sponsors carried 30
Net operating income	**$143,050**	**Sponsors' sheet: $152,950 on ten units**

THE RESULT	NO CREDITS	CREDITS AND EXEMPTION	PLUS GRANTS, IF ELIGIBLE
Total project cost	$3,264,099	$3,264,099	$3,264,099
Less credit equity	none	−$848,193	−$848,193
Less Enterprise Zone and facade grants	none	none	−$120,000
Net cost	$3,264,099	$2,415,906	$2,295,906
Net operating income, with exemption	$143,050	$163,796	$163,796
Value at a 6.25 percent cap rate	$2,288,806	$2,620,737	$2,620,737
Yield on cost	4.38%	6.78%	7.13%

THE EXEMPTION, AND WHY THE RESTRICTION IS FREE

Richmond's Affordable Housing Partial Tax Exemption gives a fifteen-year partial exemption on the value a rehabilitation adds, for buildings at least twenty years old where the work is at least 40 percent of assessed value and at least 30 percent of units serve households at or below 80 percent of area median income. On the post-rehabilitation assessment that is worth about $20,746 a year. The City's 2026 income limits ($63,600 for one person, $72,650 for two) put the one-bedroom rent ceiling at $1,703 including utilities and the studio at $1,590. Every rent in the roll sits below its ceiling. Four restricted units cost the project nothing but tenant income certification.

SECTION 07

Capital, team and timeline

Capital

The sponsors counted $670,000 of building equity and cash against a $630,000 requirement and concluded they were funded. On the Hiatus read the requirement is $1.1 million, and the credit equity that closes the gap arrives after completion.

EQUITY	SPONSORS' SHEET	HIATUS READ	NOTE
Total project cost	$2,272,296	$3,264,099	Building at as-is value in both
Construction loan	$1,642,500 (75%)	$2,163,224 (70%)	A bank counts the building as equity; it will not lend 75 percent to first-time sponsors on a historic conversion
Equity required through construction	$629,796	$1,100,875	
Building equity plus cash	$670,000	$670,000	$650,000 less the $180,000 mortgage, plus $200,000
Permanent cash gap	covered	$430,875	Remains after the credits fund
Credit equity bridge	none	$848,193	Investor member at Part 3, or the bank against a signed investor commitment
Peak outside capital	**none**	**$1,279,068**	**Falls to $430,875 once the credits are certified**

THE FINANCIAL GAP

$431,000 of equity the sponsors do not have, and $848,000 of credit equity that exists on paper only until a completed building earns it. A credit investor typically funds a share at closing and the balance at Part 3; the bank bridges the rest. That structure, and who the investor is, is the work of the underwrite and the raise. This document establishes that there is a project worth structuring.

Team

Two hires decide the outcome. An architect who has taken a building through Part 2 in Richmond, because the drawings that satisfy the Standards, the Commission and the building official are one set, produced once, in that order. And a historic tax credit consultant, who prepares the application, keeps the cost certification clean and knows which investors buy Virginia credits at this size. A structural engineer and a licensed asbestos inspector go in first; the contractor comes last, chosen from two who have finished a sprinklered conversion in a City historic district.

Timeline

STEP	SPONSORS' PLAN	HIATUS READ	NOTE
Surveys, structural, schematic design	not carried	2 to 3 months	Sets the budget floor
Parts 1 and 2, then the Certificate	not carried	4 to 6 months	DHR and NPS review; Commission after Part 2
Permits and financing close	1 month	2 to 3 months	Investor commitment and bank close together
Construction	8 months	10 to 12 months	Envelope and structure first
Lease-up and Part 3 certification	on completion	4 to 6 months	Credits fund at certification
Start to stabilized, credits in hand	**9 months**	**22 to 30 months**	**Carry for the difference is in the Hiatus read**

SECTION 08

Tailwinds and headwinds

Small adaptive reuse in Richmond sits inside an unusually deep set of programs, most of which the sponsors had not modeled, and a rental market that is softer citywide than it is on this block. Both facts belong in the plan.

TAILWINDS

- **45 percent of qualified cost in credits**, by right, on a contributing building. Virginia's 25 percent credit is among the strongest state programs in the country, and the 2024 cap increase to $7.5 million confirms the General Assembly's intent to keep it.
- **A fifteen-year tax exemption** whose affordability condition sits above market rent in this neighborhood, so it costs nothing to meet.
- **No parking minimums** since 2023, on a lot that could not have provided them.
- **Grants that fit a corner building.** The City's facade program pays up to $20,000 for a corner one- or two-story building inside its zones, and the Virginia Enterprise Zone real property investment grant returns up to 20 percent of qualified investment, capped at $100,000 for projects under $5 million. Both depend on the address falling inside a zone; one map check settles it.
- **The block is proving the thesis.** A ten-unit loft conversion with commercial suites on East Marshall Street changed hands in May 2026, and the Union Hill church conversion is under way with its credits secured. Two live comparables within a half mile, both built on the same program stack.
- **Rent growth where it counts.** The East End led the metro on rent growth in early 2026 while citywide vacancy rose, because the new supply landed in Scott's Addition and Manchester, not here.

HEADWINDS

- **Vacancy is elevated.** Metro vacancy of 7.2 to 8.1 percent is above the national figure, on roughly 3,300 units delivering in 2026. Lease-up assumptions of four to six months are realistic, not conservative.
- **Credit pricing has drifted down for a decade.** The five-year ratable claim and transaction costs mean small federal credits price well below face, and investors prefer larger deals. The 72 cents carried here needs a quote behind it.
- **The unknowns are inside the walls.** No structural evaluation, no hazardous materials survey, no roof report. The 10 percent contingency is a floor until those three reports exist.
- **The zoning rewrite is unresolved.** Richmond's Code Refresh is in a third draft with an October introduction date under question. This analysis applies current rules; a project that files under them is vested, and waiting for the rewrite gains nothing this building needs.
- **Interest cost.** Sixteen months at 9.25 percent on a $2.16 million facility, then a bridge for the credits. The carry is $174,000 before the bridge, and every month of delay at Part 2 adds to it.
- **Small deals, full process.** The three-part application, the Commission and the change of occupancy cost the same effort at eleven units as at forty. The soft cost ratio here is 14 percent for that reason.

WHAT THIS MEANS FOR THE PLAN

The programs reward exactly the building the sponsors own, provided it is rehabilitated rather than remodeled. The market rewards patience on lease-up and punishes delay on approvals. The plan that fits both is the one in Section 07: surveys first, Part 2 before permits, and a credit investor committed before the bank closes.

SECTION 09

Readiness

DIMENSION	STATUS	ASSESSMENT
Site control	GREEN	Owned since 2019, $180,000 mortgage, $470,000 of equity a lender will count. The strongest position a Stage 01 sponsor can hold.
Entitlement	AMBER	Apartments over commercial are permitted by right in UB, but the ground floor as drawn violates the frontage rule. Eleven units with a 1,600 sf corner bay complies. Certificate of Appropriateness required and achievable with restored windows.
Program and design	AMBER	The unit mix suits the building and the neighborhood. Windows, ceilings and the ground floor plan have to change before an architect starts; each is a compliance test, not a preference.
Building condition	RED	No structural evaluation, no hazardous materials survey, no roof report. $14,000 and three weeks resolves this line; nothing else should be spent first.
Cost basis	RED	$151 per sf from a contractor who had not seen the upper floor, no contingency, $292,000 of code-driven scope missing. Hiatus carries $205 with a 10 percent contingency; two written budgets required.
Market evidence	GREEN	Rents carried below the sponsors' figures and inside public data; East End rent growth leads the metro. Two live conversions nearby on the same program stack.
The numbers	AMBER	4.4 percent on cost as drawn, which fails. 6.8 percent with credits and the exemption, 7.1 with grants, above the 6.25 percent capitalization rate. Falls under the cap rate above roughly $230 per sf of hard cost.
Capital	RED	$431,000 permanent gap and a $848,000 credit bridge, against a plan that assumed the sponsors were fully funded. Structure is Stage 3 work; the raise has a return to offer.
Team	AMBER	A landlord who knows the block and a sponsor who can run the paperwork. No architect with Part 2 experience, no credit consultant, no engineer, no contractor selected.
Timeline	RED	Nine months planned against 22 to 30 to stabilized with credits in hand. The sequence was also reversed: permits were first and the credit application was last.

ASSESSMENT

The sponsors own the right building in the right district and were about to renovate it in a way that would have destroyed most of its value as a project: a remodel that forfeits the credits, fails the Commission, breaks the frontage rule and runs out of money at month six. None of that reflects on their judgment about the neighborhood, which is sound, or the building, which is worth the work.

The rehabilitation version is a real project. It is a fifteen-month construction job inside a two-year process, and it needs two specialists, one investor and a bank that has done this before. All four exist in Richmond.

> *The plan treated the building's age as a cost. The rules treat it as the collateral.*

SECTION 10

What we asked, and what to do next

THE QUESTION ROUND, AND WHAT IT CHANGED

Partway through, Hiatus sent the sponsors six questions. Did the contractor walk the second floor? *No; he priced it from the ground floor and the square footage.* Where does the second stair go? *They had not been told they needed one.* Why vinyl windows? *Cost, and a belief the originals were beyond repair; they are not.* Had they applied the UB frontage rule to the ground floor? *They did not know it existed.* Do they have passive income to absorb a federal credit? *Modest; the rental houses.* Would they accept four income-qualified tenants at market rent? *Yes.* The last two answers built Sections 05 and 06.

Recommended next steps, in order

1. **Commission the hazardous materials survey and the structural evaluation** this month, about $14,000, three weeks. Nothing else in this list is reliable until they exist.
2. **Engage an architect with Richmond Part 2 experience** for a schematic set built around restored windows, a 1,600 sf corner bay, three rear ground-floor units, eleven units in all, a second stair and a 13R sprinkler system.
3. **Engage a historic tax credit consultant** to file Part 1 and Part 2 with the Department of Historic Resources, and to obtain a written pricing indication for the federal and Virginia credits from two investors at this size.
4. **Obtain two written contractor budgets** on the schematic set, scope boundaries stated, contingency held by the owner, from contractors who have finished a sprinklered conversion in a City historic district.
5. **Check the two grant maps**: whether the address falls inside a facade program zone and the Richmond Enterprise Zone. One afternoon, up to $120,000.
6. **Pre-apply for the affordable housing exemption** with the City, and confirm the 2026 rent and income limits against the rent roll in Section 06 before design development.
7. **Talk to two community banks** about a 70 percent construction facility that counts the building as equity and bridges a committed credit investor, and get each bank's written conditions before any investor conversation.

The menu

The site and concept study produces the eleven-unit schematic and the Part 2 package the architect and the consultant both work from. The pro forma, seeded from this analysis, becomes the model the investor, the bank and the City all price against. The underwrite then tests the project independently and sizes the raise.

WHERE THIS PROJECT STANDS

Conditional pass. Not as drawn, and not on the sponsors' budget or schedule. As a certified rehabilitation with eleven units, a compliant ground floor, restored windows, the credits and the exemption, it is a project a bank and an investor will fund, on a two-year process the sponsors can run with two specialists beside them.

A Stage 01 diagnostic, not an appraisal, an investment recommendation or a substitute for legal, tax or engineering advice; credit eligibility and pricing are confirmed by counsel and the agencies in a live engagement. Cost and condition figures are as supplied by the sponsors and tested against market ranges; rents, comparables, code provisions, credit rules, program terms and fees are independently researched and attributed with a source and pull date. A 60-minute working session is included. **This document is a sample:** the building, the sponsors and the project figures are illustrative and no such engagement took place. The Richmond ordinance, Virginia statutes and regulations, program terms and market anchors cited were checked against public sources on September 18, 2026. Hiatus Advisory is the development advisory practice of Hiatus Capital Management LLC, Bend, Oregon.