HIATUS
ADVISORY

FROM GAP TO GROUNDBREAKING · STAGE 01

Gap Analysis

An eight-cottage court
Perry District, Spokane, Washington

Sample engagement. The site, the sponsors and the project figures are illustrative. The code framework, fees and market anchors are real as of the date below.

Prepared for	Maren Holt and Teo Castellanos, Holt Castellanos Homes LLC
Prepared by	Hiatus Advisory
Date	September 18, 2026

SUMMARY

What this analysis found

Hiatus Advisory reviewed the sponsors' plan for eight detached cottages of 900 square feet on a 24,000 square foot corner lot in the Perry District, built for sale, with the land under contract at $395,000 and a one-page pro forma showing a 42 percent margin.

THE HEADLINE

The margin on the sponsors' sheet is not a projection; it is the result of pricing the cottages from their cost plus 25 percent. Priced from what small new homes in Spokane actually sell for, the same eight cottages lose money at every cost the analysis tested. The entitlement they were worried about is an administrative short plat. The house they planned to demolish is worth roughly what the land costs. Kept, and with ten smaller cottages behind it, the site clears a 9 percent margin at comp-supported prices, and three negotiations that are all open before the feasibility period ends take it to a lender's 15.

$425,000	$335K to $365K	−3.6%	9.3%
SPONSORS' PRICE PER COTTAGE, DERIVED FROM COST	COMP-SUPPORTED PRICE, NEW 900 SF COTTAGE	MARGIN, EIGHT COTTAGES AS DRAWN, HIATUS READ	MARGIN, TEN COTTAGES PLUS THE HOUSE, AT $325K

The findings

1. Revenue was priced from cost, not from the market. The $425,000 price is $171,000 of construction plus land, fees and 25 percent. New homes of 1,200 square feet list at $349,000 in Spokane today and the South Perry median sale is $367,500. A new 900 square foot cottage in this district supports $335,000 to $365,000. Every conclusion downstream of the price changes with it.

2. The cost side is light in the places first-time developers miss. The builder's $190 per square foot is a verbal for the building from the slab up. Site work is carried at $25,000 per lot against a realistic $34,000 to $42,000, and Spokane's connection, impact and permit charges run $15,762 per lot against $6,000 carried.

3. Entitlement is not the risk. Schedule is. Spokane sets no maximum density on residential sites of two acres or less, puts a fee-simple lot under each cottage through a unit lot subdivision, and reviews nine or fewer lots as an administrative short plat. No rezone, no hearing, no parking. But the plat, civil plans and permits take ten to twelve months, and the contract closes in three.

4. The land price is a real lever here. With the land at zero, the eight cottages as drawn return 13 percent. On most infill sites Hiatus reviews, free land still does not rescue the deal. Here it would, so the seller negotiation matters.

5. The financial gap is larger than the sponsors' sheet shows. A first-time developer borrows 65 percent of cost, not 80. On the version that works, the equity requirement is $1,167,000 against $450,000 available: an outside equity need of about $717,000.

WHAT FOLLOWS

Sections 01 to 04 test the site, the code path, the costs and the price. Section 05 gives the result as drawn, Section 06 the version that clears, and 07 to 10 cover capital, context, readiness and next steps.

SECTION 01

The site and the program

ITEM	DETAIL
Location	Corner lot in the Perry District, East Central Spokane, two street frontages. In a live engagement this table records the address, parcel number and legal description.
Site area	24,000 sf (0.55 acres), roughly 120 feet by 200 feet
Zoning	R2, Residential Two-Family, under SMC 17C.111. No overlay, no critical areas identified by the sponsors
Existing improvement	1,040 sf house built in 1910, rented month to month at $1,450. Identified as a teardown by the sponsors
Utilities	City water and sewer in both streets; stormwater disposed on site per City standards
Purchase price	$395,000, plus about $8,000 in closing costs
Contract status	Executed. $15,000 earnest money, refundable through a 60-day feasibility period; closing at day 90
Program	Eight detached cottages, 900 sf, two bedrooms, around a central drive, sold individually. The sponsors assumed a condominium
Sponsors	Maren Holt, physical therapist, owner of a rental duplex; Teo Castellanos, finish carpenter with twelve years in residential construction, never the contractor of record

Site control

The contract is sound and the deposit is protected during feasibility. The problem is the calendar. Sixty days is enough to run the tests in this document. It is not enough to get a preliminary short plat, and closing at day 90 means the sponsors will own the land, with a construction loan not yet available, for most of a year of entitlement and permitting. The carry on $403,000 at a land loan rate is not in their sheet.

> **ONE TERM WORTH NEGOTIATING NOW**
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> The seller is an estate and has said the price is firm. The feasibility period is not. Ask for 150 days with a right to file the short plat application during feasibility at the buyers' cost, and for the seller to sign the owner authorization form. That runs the entitlement clock before the sponsors own the dirt, which is where the schedule risk actually sits.

The sponsors

Ms. Holt manages a duplex, reads a lease and has the income to carry a project through a slow quarter. Mr. Castellanos knows what a house costs to finish and has relationships with framing, plumbing and electrical subcontractors he has worked beside. Neither has run a subdivision, pulled a permit as the owner, or borrowed for construction. A lender will price all three facts. Set against the failure modes Hiatus sees most often at this scale, the pair has the two things that matter most: one of them can read a job site and the other can read a bank statement. The team gaps are specific and fillable, and they are listed in Section 07.

SECTION 02

Entitlement: the code path

The sponsors came in expecting a planned unit development or a rezone, and had budgeted six months of consultant time for a hearing. Neither is required. Spokane rewrote its residential code in 2023, effective January 1, 2024, and the result for this site is direct.

QUESTION	WHAT THE CODE SAYS	SOURCE
How many units can go here	No maximum density on residential sites of two acres or less, in any residential zone. Minimum lot area in R2 is 1,200 sf, minimum width 15 feet, building coverage up to 80 percent	SMC 17C.111.205, Table 205-1
Can each cottage sit on its own lot	Yes. A unit lot subdivision creates fee-simple child lots as small as the building footprint, with common areas held as tracts. The parent site, not each lot, meets setbacks, coverage and design standards	SMC 17G.080.065
What review applies	Nine or fewer lots is a short plat: a Type II administrative decision, no hearing. Ten or more is a full subdivision	SMC 17G.080.065, 17G.061
Environmental review	The City exempts single-unit residential development of up to twenty units from SEPA	City of Spokane SEPA infill exemption
Parking	None. Spokane requires no residential parking within a half mile of transit, and Washington's 2025 parking law removes mandates for homes under 1,200 sf statewide	SMC 17C.111; ESSB 5184 (2025)
Design standards	Objective standards for new single-unit and middle housing. Common open space is sized per unit under Table 17C.111.205-2, at least half the units must open onto it, and it needs three amenities	SMC 17C.111.300, 17C.111.310
Access	A driveway serving more than nine units needs City Engineer approval	SMC 17G.080.065

FINDING

Eight cottages on eight fee-simple lots is permitted as of right, reviewed administratively, with no parking and no hearing. Ten are as of right too, but the tenth lot crosses from a short plat into a full subdivision with a hearing examiner decision. The binding constraints are physical, not political: the open space table, the nine-unit driveway rule, the nine-lot line, and stormwater disposal on a corner lot with two frontages to improve. A live precedent: an eight-lot cottage subdivision on an 11,520 sf lot in north Spokane was in Type II short plat review in spring 2026.

Two things the sponsors' sketch gets wrong

The central drive is where the courtyard has to be. The sketch runs a 20-foot paved drive down the middle with four cottages a side. The open space standard wants a common green that at least half the units face, and a court built around asphalt will not read as a court to a buyer either. Put the drive on the side street and the green in the middle.

Condominium is the wrong ownership form. The sponsors assumed a condo declaration. Washington's condominium warranty regime is the reason small builders have avoided attached for-sale product for twenty years, and the 2025 reforms narrow it without removing it. A unit lot subdivision puts each cottage on its own fee-simple lot with a small owners' association for the tract: buyers finance it as a house, lenders underwrite it as a house, and the sponsors carry no condominium warranty exposure. It is the most valuable provision in Spokane's code for this product, and the sponsors had not heard of it.

SECTION 03

Construction cost, and what a finished cottage costs

The builder's $190 per square foot is a verbal from a friend of Mr. Castellanos, for the building from the slab up, with no drawings in hand. It is not an unreasonable number for a repeated 900 square foot plan in Spokane. It is an incomplete one. Small homes carry a full kitchen, a full bath, a panel and a mechanical system whatever their floor area, so the per-foot figure rises as the house shrinks; Hiatus carries $195 to $215 for this plan and uses $205.

LINE, PER COTTAGE	SPONSORS' SHEET	HIATUS READ	WHAT CHANGED
Vertical, the building itself	$171,000	$184,500	$205/sf against $190; fixed costs of a small unit
Land and closing, per lot	$50,375	$50,375	Unchanged
Site work	$25,000	$38,000	Eight laterals, drywells, two frontages, drive, courtyard, power and gas to each lot
Fees and charges	$6,000	$15,762	See the fee table below
Soft costs	$12,000	$18,750	Survey, civil engineering, architecture, geotech and stormwater, plat, legal, insurance
Contingency	$9,800	$17,800	8 percent of hard cost, against 5
Financing	$10,739	$16,055	65 percent of cost at 9.5 percent for 14 months, 1.5 points; against 80 percent at 8.5 for 10 months
All in cost per cottage	**$284,914**	**$341,242**	**Plus 20 percent**

Spokane charges per new lot, 2026 schedule where published. A live engagement confirms the transportation district rate from the current Appendix A.

CHARGE	PER LOT	BASIS
Water general facilities charge	$3,475	5/8 inch meter, 2026 city-wide rate, SMC 13.04.2044
Wastewater general facilities charge	$4,887	5/8 inch meter, effective January 1, 2026, SMC 13.03.0734
Transportation impact fee	~$3,000	South district single-unit rate set in 2023; 2026 Appendix A to confirm
Building permit and plan review	~$3,900	Valuation-based, plus the 2.5 percent technology fee
Short plat, SEPA checklist, processing	~$500	About $3,900 for the project, allocated
Government cost at permit	**$15,762**	**The sponsors carried $6,000**

> THE NUMBER THAT MATTERS
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> At 900 square feet the building is 54 percent of what the finished cottage costs. The other 46 percent, $156,742 of land, site work, fees, soft costs, contingency and carry, barely moves with the size of the house. Shrinking the cottage shrinks the part of the cost the builder controls and leaves the rest almost untouched, which is why Section 06 adds cottages rather than square feet.

SECTION 04

The market, and how the price was set

Asked where $425,000 came from, the sponsors were direct: construction plus land plus fees, plus 25 percent, rounded. That is a cost, not a price. A buyer in the Perry District does not know what the cottage cost to build and would not pay for it if they did. Revenue in a for-sale project comes from one place, which is what comparable homes have sold for, and the pro forma has to be built backward from that number.

Market anchors, public sources, pulled September 18, 2026. Asking prices are marked; a live engagement replaces them with closed sales from the MLS.

ANCHOR	FIGURE	SOURCE
Spokane median sale price, August 2026	$374,752	Redfin; down 1.7 percent year over year, median 22 days on market
Spokane median price per square foot	$207	Redfin, August 2026, all sales
South Perry median sale price, March 2026	$367,500	Redfin; down 8.1 percent year over year
New construction, median list price	$390,000	Redfin, 167 listings, 50 days on market on average
New 1,200 sf home, N Atlantic St (asking)	$349,000	Redfin; $291 per sf, the closest new small-home anchor in the city
New 1,323 sf production home (asking)	$409,995	Redfin; $310 per sf, national builder, south Spokane
South Perry, 932 sf house built 1920s (asking)	$275,000	Redfin; $295 per sf
South Perry, 1,001 sf house (asking)	$314,999	Redfin; $315 per sf, new roof 2025
South Perry, 656 sf house (asking)	$252,900	Redfin; $386 per sf, the small-home premium in one line

What the evidence supports

Two patterns in the anchors decide the price. The first is that small homes price above the per-foot rate of larger ones: $386 per foot at 656 square feet against $257 at 1,832. The second is that the total price of a small home, not its per-foot rate, is what a buyer compares. A new 1,200 square foot home asks $349,000 on the north side. A new 900 square foot cottage in the more walkable Perry District, on its own lot, with a shared green and no condominium, supports a premium over older stock of the same size ($275,000 to $315,000) and a discount to the larger new home. Hiatus carries **$335,000 to $365,000** and uses $350,000. For a 750 square foot cottage the same logic gives **$310,000 to $340,000**.

> FINDING
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> The sponsors' price sits $60,000 to $90,000 per cottage above what the market evidence supports. Across eight homes that is $480,000 to $720,000 of revenue that does not exist. It is the largest single gap in the project and it was invisible on the sponsors' sheet because the sheet never looked outside itself.

Two cautions on the evidence

Spokane prices are soft: the city is down 1.7 percent year over year and the neighborhood down 8.1 percent on a thin sample. New homes are sitting 50 days. And there is no closed sale of a new detached home under 1,000 square feet in the Perry District, so an appraiser will reach for the same anchors this table uses. The recommended next step in Section 10 is a broker opinion of value on the specific plan before the feasibility period ends, because the price is the deal.

SECTION 05

The result, as drawn

Eight cottages of 900 square feet, priced from the comparables, at three cost cases. The favorable case takes the low end of every cost range and the top of the price range; the unfavorable case does the reverse.

EIGHT COTTAGES, 900 SF	FAVORABLE	HIATUS READ	UNFAVORABLE	SPONSORS' SHEET
Vertical cost per sf	$195	$205	$215	$190
Site work per lot	$34,000	$38,000	$42,000	$25,000
Total project cost	$2,612,074	$2,729,939	$2,847,805	$2,279,308
Cost per cottage	$326,509	$341,242	$355,976	$284,914
Price per cottage	$365,000	$350,000	$335,000	$425,000
Net revenue after selling costs	$2,744,800	$2,632,000	$2,519,200	$3,230,000
Profit	$132,726	−$97,939	−$328,605	$950,692
Margin on cost	**5.1%**	**−3.6%**	**−11.5%**	**41.7%**

Selling costs 6 percent (5 percent on the sponsors' sheet). Construction loan at 65 percent of cost, 9.5 percent, 14 months, 1.5 points, interest on an average balance of 55 percent of the commitment. The sponsors' column uses their own inputs throughout.

> THE FINDING IN ONE LINE
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> It costs $326,000 to $356,000 to deliver a cottage that sells for $335,000 to $365,000. A construction lender wants 15 percent on speculative for-sale product. The best case here is 5.

Price is the whole question

SALE PRICE PER COTTAGE, HIATUS COSTS	$335,000	$350,000	$365,000	$395,000	$425,000
Profit, eight cottages	−$210,739	−$97,939	$14,861	$240,461	$466,061
Margin on cost	−7.7%	−3.6%	0.5%	8.8%	17.1%

At the sponsors' $425,000 the project clears 17 percent even on Hiatus's costs. Every disagreement about site work and fees is worth less than the price, which is why the recommendations spend their effort on the evidence for the price rather than on shaving the budget.

Two tests that locate the problem

Land at zero. Remove the $403,000 of land and closing from the Hiatus read and the eight cottages return $305,061, a 13.1 percent margin. On most infill sites Hiatus reviews, free land does not rescue the deal. Here it would, so the land price is part of the problem and the seller negotiation is worth having.

Hold instead of sell. Keeping the cottages as rentals does not avoid the pricing question. A 900 square foot cottage rents for about $1,725 here, against city averages of $1,050 for a one-bedroom and $1,325 for two. At a 38 percent expense ratio that is $12,834 of net operating income on a $341,242 cost, a 3.8 percent yield against an exit capitalization rate near 6.25 percent. Break-even rent is $2,867. Small detached rentals do not pencil at 2026 costs, in Spokane or anywhere else Hiatus has tested them.

SECTION 06

The version that clears

Three changes, none of which needs a different site, code path or seller.

Keep the house. The 1910 house is 1,040 square feet on the corner, structurally sound on the sponsors' own walk-through, and rented. Refreshed for about $55,000 and sold on its own 4,500 square foot unit lot, it supports roughly $285,000 against the South Perry anchors, which recovers most of the $403,000 land cost. The sponsors' plan spends $18,000 to demolish it.

Ten cottages of 750 square feet, not eight of 900. The remaining 19,500 square feet carries ten cottages at 1,950 square feet per lot, well inside the precedent of eight on 11,520. Land, site work, fees and carry barely move with the size of the house; spread over ten homes instead of eight, $157,000 of non-building cost per cottage becomes $131,000. Two driveways, one from each frontage, keep each under the nine-unit rule. Eleven lots is past the nine-lot short plat line, so the plat becomes a full subdivision with a hearing examiner decision: no rezone, two to three months longer. The administrative alternative is eight cottages plus the house.

Price from the comparables and build to that price. $325,000 for a new 750 square foot cottage on its own lot, inside the $310,000 to $340,000 range from Section 04.

TEN COTTAGES OF 750 SF PLUS THE HOUSE	AT $310,000	AT $325,000	AT $340,000
Total project cost, including the $55,000 refresh	$3,040,627	$3,040,627	$3,040,627
All in cost per new cottage	$290,331	$290,331	$290,331
Revenue, ten cottages plus the house at $285,000	$3,385,000	$3,535,000	$3,685,000
Net revenue after 6 percent	$3,181,900	$3,322,900	$3,463,900
Profit	**$141,273**	**$282,273**	**$423,273**
Margin on cost	**4.6%**	**9.3%**	**13.9%**

Vertical $213 per sf for the smaller plan, site work $34,000 per lot, ten sets of charges at $15,762, soft costs $168,000, contingency 8 percent, 65 percent construction loan for 16 months.

> FINDING
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> At the midpoint the site clears a 9.3 percent margin: a real project and a thin one. A construction lender will want 15 percent, and the gap between 9 and 15 is $174,000. All of it is available in three negotiations that close before the feasibility period does. Fifteen percent is roughly $25,000 off the land plus $18 per foot off the building, or $18,500 on the price. Establish the price first; it sets the budget everything else has to fit inside.

The three levers, priced

LEVER	EFFECT ON PROFIT	WHERE IT COMES FROM
Every $10,000 off the land price	+$10,453	Seller negotiation on price or a partial carry; the estate has no other buyer with a contract
Every $5 per sf off vertical cost	+$40,500	One repeated plan, two written builder budgets, Mr. Castellanos running finish trades
Every $10,000 on the sale price	+$94,000	A broker opinion of value on the actual plan; the lever the sponsors control least

SECTION 07

Capital, team and timeline

Capital

The sponsors have $300,000 in cash and a $150,000 home equity line, $450,000 in all. Their lender conversation was about a custom home at 80 percent of cost. A first-time developer building ten speculative homes will be offered 65 percent of cost at best, with a completion guarantee, and that changes the equity requirement more than any cost line in this document.

EQUITY REQUIREMENT	SPONSORS' SHEET	EIGHT COTTAGES, HIATUS READ	TEN COTTAGES PLUS THE HOUSE
Total project cost	$2,279,308	$2,729,939	$3,040,627
Construction loan	$1,754,720 (80%)	$1,690,972 (65%)	$1,873,313 (65%)
Equity required	$524,588	$1,038,967	$1,167,314
Sponsors' capacity	$450,000	$450,000	$450,000
Outside equity required	**$74,588**	**$588,967**	**$717,314**

THE FINANCIAL GAP

About $717,000 of outside equity on the version of the project that works, against a project that returns 9 to 14 percent on cost before any split. That is a raise with a real return to offer, which the eight-cottage plan was not. Sizing the gap is the job of this document. Structuring it, and naming who fills it, is the job of the underwrite, and it should not happen before the price and the land are settled.

Team

Four seats are empty. A civil engineer, because the short plat, the stormwater design and the frontage improvements are the critical path and none exists yet. A general contractor of record, because a lender will not accept Mr. Castellanos as the licensed contractor on his first project; the right structure has him as the owner's superintendent with a licensed builder holding the contract. A surveyor for the plat. And a listing broker who has sold small new product in the district, brought in now for the opinion of value rather than at the end for the signs.

Timeline

STEP	SPONSORS' PLAN	HIATUS READ	NOTE
Feasibility and site control	2 months	5 months	Extended period, plat application filed during feasibility
Civil design and plat decision	not carried	5 to 8 months	Full subdivision at eleven lots; 4 to 6 as a short plat at nine
Building permits, ten cottages	1 month	2 to 3 months	One repeated plan, reviewed once
Construction	6 months	8 to 10 months	Site work first, then two flights of five
Sales absorption	on completion	6 to 9 months	New homes average 50 days; ten of one product takes longer
Land closing to last sale	**9 months**	**21 to 28 months**	**The carry for the difference is in the Hiatus read**

SECTION 08

Tailwinds and headwinds

Most developers price their own project carefully and the context around it not at all. The context here is unusually favorable on the rules and unusually soft on the market, and both facts should be in the sponsors' heads when they negotiate.

TAILWINDS

- **Spokane's code is the most permissive in the Northwest for this product.** No maximum density under two acres, fee-simple unit lots, administrative review, no parking. Washington's middle housing law (HB 1110) set a floor in 2023; Spokane built above it.
- **The 2025 state parking law** (ESSB 5184) removes parking mandates for homes under 1,200 square feet statewide, so the site plan never has to trade a cottage for a stall.
- **Fee-simple ownership sidesteps the condominium regime.** Washington's 2025 warranty reforms (HB 1403 and HB 2304) help condominium builders; the unit lot subdivision makes the question moot.
- **Unmet demand for small new homes.** National production builders in Spokane start near 1,300 square feet and $410,000, and the little new product under $350,000 sits on the north side, not in the central districts where this project sells.
- **A state program can pay the connection charges.** Washington's Connecting Housing to Infrastructure Program funds utility connections for projects with at least 25 percent affordable homes; three of the ten cottages at 80 percent of area median income would qualify the project for the 2026 round.
- **The Perry District itself.** A walkable commercial node, a seasonal farmers market, frequent bus service on Sprague, and a 40-unit apartment project planned two blocks away in 2026, which says other developers read the same demand.

HEADWINDS

- **Prices are drifting down.** Spokane is off 1.7 percent year over year and South Perry off 8.1 percent on a small sample. A project that closes its first sale in 2028 is pricing into a market nobody can see yet.
- **Absorption.** New homes average 50 days on market and there are 167 of them listed. Ten identical cottages released at once will not sell in 50 days each; the Hiatus read carries six to nine months and it may be conservative.
- **Appraisal risk.** No closed sale of a new detached home under 1,000 square feet exists in the district. The first two buyers' appraisers will set the price for the other eight.
- **Fees quadrupled in 2023** and are indexed annually. The connection charges alone are $8,362 per lot, and the sponsors' sheet predates the increase.
- **Rates and the 65 percent problem.** Construction money at 9.5 percent for a first-time developer, and the equity gap that follows, is the binding constraint on the whole plan.
- **Materials.** Lumber tariffs and a tight Inland Northwest subcontractor market put the vertical range at risk on the upside, which is why two written budgets are a condition, not a suggestion.

WHAT THIS MEANS FOR THE NEGOTIATION

The rules make this an easy site to entitle, which the seller's broker knows and is pricing. The market makes it a hard site to sell into, which the seller's broker is not pricing. The sponsors' leverage is the second fact: they are the buyer with a contract, and the 8.1 percent neighborhood decline is a number worth putting in the extension request.

SECTION 09

Readiness

DIMENSION	STATUS	ASSESSMENT
Site control	AMBER	Executed contract, deposit protected, price firm. The 60-day feasibility period cannot contain the entitlement clock; extend it and file the plat during feasibility.
Entitlement	GREEN	As of right at eight or ten cottages, no parking, SEPA exempt. Eight lots is an administrative short plat; eleven is a full subdivision with a hearing but no rezone. Redesign the site plan around the common green and two drives.
Program and design	AMBER	The product is right for the district. The count and size are wrong for the cost structure: ten of 750 square feet, plus the retained house, replaces eight of 900.
Cost basis	AMBER	Vertical figure is plausible but verbal and incomplete; site work and government charges understated by $22,762 per lot. Two written budgets on one plan are required.
Market evidence	RED	Revenue was derived from cost. Public anchors support $335,000 to $365,000 at 900 square feet, not $425,000. No closed comparable for new small detached product in the district; broker opinion of value required before the feasibility deadline.
The numbers	RED	Eight cottages as drawn lose money at comp-supported prices in two of three cost cases. The ten-cottage version clears 9.3 percent, below a lender's 15, with quantified levers to close the difference.
Capital	RED	$717,000 of outside equity required on the working version; the sponsors' sheet showed $75,000. The lender terms assumed do not exist for a first-time developer.
Team	AMBER	A builder's eye and a steady balance sheet, which is more than most. No civil engineer, no contractor of record, no surveyor, no broker.
Timeline	RED	Nine months planned against 21 to 28 realistic. The gap is entitlement and absorption, neither of which appears on the sponsors' sheet.

ASSESSMENT

The sponsors chose the right product for the right district under the right code, and they priced it from the inside. Every red on this table traces to one decision: the sale price was set from cost. Replace that number with the market's and the rest of the plan reorganizes itself around a smaller cottage, a kept house, a longer schedule and a real equity raise.

None of that is a reason to walk away from the contract. It is a reason to extend it, and to spend the next ninety days on the three numbers that decide the project: the price a broker will defend, the cost two builders will sign, and the land price an estate will accept from the only buyer at the table.

> *The plan was built to justify a price. The project has to be built to earn one.*

SECTION 10

What we asked, and what to do next

THE QUESTION ROUND, AND WHAT IT CHANGED

Partway through, Hiatus sent the sponsors five questions, and the answers moved the analysis more than any research did. Does the builder's $190 include site work? *No, slab up.* Was the 80 percent loan quote for this project? *For a custom home, two years ago.* Where did $425,000 come from? *Cost plus 25 percent.* Had they priced fee-simple lots against a condominium? *They had not heard of a unit lot subdivision.* Had they valued the existing house? *They assumed the value was in the land.* The last answer became Section 06.

Recommended next steps, in order

1. **Request the feasibility extension this week**: 150 days, the right to file the plat application during feasibility, and the owner authorization form signed. Put the neighborhood's 8.1 percent decline in the letter.
2. **Get a broker opinion of value** on a 750 square foot two-bedroom cottage on its own lot in this district, from a broker who has sold small new product. The whole project is built backward from this number.
3. **Commission the site plan around the green**: ten cottages, the retained house on the corner lot, two drives, the open space table satisfied. A civil engineer runs stormwater and frontage at the same time.
4. **Obtain two written builder budgets** on the single repeated plan, scope boundaries stated, with Mr. Castellanos's role as owner's superintendent priced explicitly.
5. **Reprice the land** with the broker opinion and the budgets in hand. The target is $25,000 to $40,000 off, or a seller carry through plat approval.
6. **Talk to two community banks** about a 65 percent construction facility with a completion guarantee, and get each bank's written conditions on a first-time developer before anyone talks to an investor.
7. **Decide on the affordable set-aside**: three cottages at 80 percent of area median income qualifies the project for state connection-fee funding and moves the fee line by up to $25,000 per lot. Model it before dismissing it.

The menu

Each gap maps to a specific piece of work. The site and concept study produces the ten-cottage plan the plat and the budgets need. The pro forma, seeded from this analysis, becomes the model the broker, the builders and the bank all price against. When those numbers are settled, the underwrite tests the project independently and sizes the raise. Capital conversations start after that.

WHERE THIS PROJECT STANDS

Conditional pass. The site, the code and the product are right. The price, the count, the schedule and the equity are not yet, and each has a specific fix with a date on it inside the extended feasibility period. The sponsors did not have a bad site or a bad idea. They had a spreadsheet that agreed with them, and the work now is replacing its three invented numbers with three negotiated ones.

A Stage 01 diagnostic, not an appraisal, an investment recommendation or a substitute for legal, tax or engineering advice. In a live engagement, cost and site control figures are as supplied by the sponsors and tested against market ranges; comparables, rents, code provisions, fees and program rules are independently researched and attributed with a source and pull date. A 60-minute working session is included. **This document is a sample:** the site, the sponsors and the project figures are illustrative and no such engagement took place. The Spokane code provisions, fee schedule, Washington statutes 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.