



Valuations | Exit Planning | Feasibility Studies

Feasibility Studies...

To Lend or Not to Lend?



Valuations | Exit Planning | Feasibility Studies

Gerald (Jerry) Brown, Sr., AIBA, CBA, BCA, MAFF
President & Senior Appraiser at RSI & Associates, Inc.

Feasibility Studies

...the basics

What is a Feasibility Study?

- Analytical Tool used to assess the viability of a proposed venture.
 - Technically
 - Economically

What a Feasibility Study is not...

- Not a Business Plan
- Not a Marketing Plan
- Not a Simulation Model
 - Limited by the Assumptions Used
 - Issues of Objectivity
 - Author has and Self-Servicing Agenda

What is a Feasibility Study?

- Analytical Tool used to assess the viability of a proposed venture.
 - Why...What is the Purpose & Use?
 - New Concept / Business Venture at New Location
 - Existing Concept / Business at New Location
 - Franchise Business at New Location
 - Additional Location of Existing Business
 - New Division of Existing Business
 - Expansion of Existing Facility or Business
 - New Product Development or Proposed Internal Project
 - Secure Funding for any of the Above

Feasibility Studies for Lending Purposes

- To Lend or Not to Lend?
 - Not an Argument to Lend
 - Analysis of Viability to Borrow
- What the SBA/USDA Want
 - Impartial Assessment of Borrower's Plan

Who Should Conduct a Feasibility Study?

- Outside Consultant
 - Background in Independent Assessment
 - Research and Technical Writing Skills
 - Analytical and Financial Forensic Abilities
 - Impartial / Unbiased
 - Equipment
 - Real Estate
 - Market
 - Franchisor
- Fee Not Subject to Outcome or Funding

Steps in the Feasibility Study Process

■ Due Diligence Phase

- Gather Due Diligence from lender/client:
 - Concept / Location / Market Research
 - Real Estate Appraisal
 - Construction detail with cost estimate and timeline
 - Site Plan or As-Built Survey
 - Business and Marketing Plan
 - 3 to 5 year Pro Forma with Assumptions & Justification
- Perform Concept Due Diligence
- Study Area and Location Demographics
- Map Site Challenges/Strengths/Weaknesses

Steps in the Feasibility Study Process

- Perform Study
 - 5 Distinct Areas of Feasibility Determination
 - Economic Feasibility
 - Market Feasibility
 - Technical Feasibility
 - Management Feasibility
 - Financial Feasibility
 - With an Opinion of Feasibility for Each Area
- Perform Post Funded Cash Flow Analysis
- Conclusion and Recommendations



Valuations | Exit Planning | Feasibility Studies

Feasibility Studies...

Case Studies

Case Study #1

Industry:	Fitness / Gym	
Market:	A City in, Western Region US	
Project Summary:	Develop 3.51 Acre Lot 9,000 square foot fitness facility	
Total Investment:	\$4,075,000	
Use of Funds:	Real Estate:	\$ 600,000
	Construction Cost	\$ 3,075,000
	Equipment	\$ 200,000
	Working Capital	\$ 200,000
Source of Funds:	Conv 6.75% 25yr	\$ 1,855,000
	SBA 7(a) 5.5% 20yr	\$ 1,290,000
	SBA 7(a) 6.75% 7yr	\$ 250,000
	Borrower's Equity	\$ 680,000
Completed Study:	July 2018	
Funded:	July 2018	

Case Study #2

Industry:	Aircraft Mfg./Conversion/Modification (MRO)	
Market:	A City in, US	
Project Summary:	Develop 5 Acre Site 24,000 sq. ft. FAA/DOD Approved Hanger	
Total Investment:	\$7,750,000	
Use of Funds:	Real Estate:	30yr Airport Lease
	Hanger Construction	\$ 5,000,000
	Equipment & Startup	\$ 1,520,000
	Working Capital/Costs	\$ 1,230,000
Source of Funds:	USDA 6.50% 15yr	\$ 5,000,000
	SBA 7(a) 7.25% 7yr	\$ 1,200,000
	Borrower's Equity	\$ 550,000
	Investor's Equity	\$ 1,000,000
Completed Study:	October 2018	
Funded:	March 2019 (Breaks Ground Early May)	



Valuations | Exit Planning | Feasibility Studies

Feasibility Studies...

To Lend or Not to Lend?