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## Financing the Transaction

*Financing* is almost always an integral part of the Real Estate Transaction. In fact, the cost of money (interest rates and fees) figures prominently in the decision making process. Various computations for *returns* are meaningful to an investor as *cash flow* and affordability are for a buyer/user of a property. Of equal if not greater importance is getting to the finish line on time to prevent a risk of losing the property or forfeiting an earnest money deposit, not to mention possible issuing legal issues. With the permission of our clients, Elkins Lane provides expert oversight, whether you are a buyer or a seller.

### Investors

Investors begin looking at the essential numbers immediately. Experienced buyers are quick to "eye ball" raw numbers to determine the *capitalization (CAP) rates*, *cash on cash return*, and *internal rate of return (IRR)*. Lenders are to do some eye-balling as well and are quick to see if the *debt service coverage* is adequate. Generally lenders, depending on the type and quality of the asset, want a minimum of 1.2 times the debt service in net income. With our client's permission, our firm will use its expertise to ensure the process moves smoothly through the approval process.

### IRS Section 1031 Exchange Transactions

There are numerous time sensitive rules and regulations that must be followed. Elkins Lane has 20 years of experience in working with investors to assist in maneuvering through the myriad of details surrounding tax exchanges. Oddly, compliance with the details is most often a snap; it's the timing and execution that wins the day. Simply stated, Elkins Lane assumes the role as *manager* of the process, coordinating the sale of your *relinquished* property with the acquisition of your *replacement* asset in and consummating the deal in a seamless manner.

Our work is generally accomplished in coordination with client's legal counsel as well as a disinterested third party, the *exchange intermediary*.

### Buyer/Users

Often a businessperson will explore the feasibility and practicality of owning real estate. Function, affordability, lease vs. purchase (please call us to perform an analysis for you), all

enter into the decision-making process. Elkins Lane is uniquely qualified to provide clients with options and professional counsel. Owning property may not always be the best means of housing a business. For example, a young enterprise expecting rapid growth, everything being equal, may be well advised to lease space in order to provide flexibility for expansion.

### **SBA 504 Programs**

Buyers who plan to occupy 50% of a building may be eligible under this very attractive financing program. Usually initiated at your own bank, your lender commits to providing 60% of the funding, SBA 30%, with the borrower making a 10% down payment. The process is not cumbersome with final approval usually coming within 3-4 weeks from application. Additionally, and a real bonus to our clients, the guidelines also allow for funding 90% of most improvements to the property. With certain requirements a 504 loan can be in the range of \$4 million. The Program is not available to non-profits.

Elkins Lane has coordinated dozens of these loans and stands ready to facilitate the process.

### **Local Bond Authority Financing for Non-profits**

Bond authority funding is truly an underutilized loan product available in most jurisdictions around the Washington Metropolitan area. Normally, the amount borrowed should be in excess of \$2 million in light of the fees involved. Elkins Lane will work with the appropriate economic and industrial development authorities to make this type of financing work for our clients.

### **Our Credentials**

**Scott Elkins** spent 27 years as a bank lender. From start-ups, to leverage buyouts, his career culminated as Washington Area Corporate Banking Executive for Sovran Bank. This familiarity with business and commerce, together with over 20 years in commercial real estate brokerage bring unparalleled experience to your transaction.

Prior to collaborating with Scott Elkins in 1998, **Rick Lane** was a partner in a Washington area real estate law firm representing many local and national clients, and subsequently served as Vice President of the Trammell Crow Company, a leading national commercial real estate firm. (For additional information please see "Meet the Pros")

### **Summary**

Competent commercial real estate brokers should understand all of the nuances associated with financing the transaction. Be assured and confident that we are well aware of the importance of the financing process and ready and willing to roll up our sleeves in this capacity.

This portion of our website is not intended to be a tutorial on the financing process. Rather, the purpose is to point out that while owning real estate is the objective, the process should be viewed as a duality to include the financing as well. Elkins Lane is uniquely qualified and prepared to work with investors and users to locate the best financing possible, work with the lender in your behalf and finally to see that the "deal does get done". If you are selling a property we often become proactive and work with your buyer's lender to assure a happy conclusion to the transaction.

Here at Elkins Lane it is our policy not to accept fees from our clients or lenders. This assistance is just one of many special services we provide to our clients. We fully participate as advisors and facilitators in the process.

**Elkins Lane, your partner for success in commercial real estate.**