

STEPHANIS GROUP

Development Financing & Risk Management

PROJECT OVERVIEW

A real estate developer with 40 years of experience was planning a three-phase mixed-use development in Dripping Springs, Texas (Austin suburb). The project required \$27 million in financing to build 6 multi-tenant commercial properties and 18 homes over an estimated 3–5 year timeline.

THE CHALLENGE

With interest rates at historic lows, the company was evaluating multiple financing offers, including low-rate adjustable mortgages. The critical question: What happens if rates rise during construction? And how should phases be structured to manage risk while maintaining profitability?

THE APPROACH

I conducted market analysis, built phased cash flow models, and stress-tested interest rate risk scenarios. Recognizing that rates were at historic lows—a condition historical variance data couldn't fully capture—I overrode model assumptions and reran scenarios with elevated upside rate risk.

This wasn't just about running the numbers. Historical models assumed rates would stay relatively stable based on past decades of data. But qualitative judgment suggested the unprecedented low-rate environment carried asymmetric upside risk that quantitative models alone would miss.

THE RECOMMENDATION

Scale back Phase I and II scope, increase Phase III scope, and reduce total loan size. This extended the timeline by a few months but substantially improved the risk profile and preserved operating reserves.

THE OUTCOME

The \$27 million financing closed successfully. Within months, the Federal Reserve raised rates by 525 basis points in 16 months—the fastest tightening cycle in 40 years. The revised plan protected the company through an unprecedented rate environment while keeping the development on track.

Data informs. Judgment decides.

ENGAGEMENT CONTEXT

This was part of a 20+ year relationship with the Stephanis Group. I traveled to Austin six times for lender meetings and worked directly with the principals throughout the financing process.

Trautman Advisory Services
Data informs. Judgment decides.