

NICHE UNDERWRITING / BORROWER FIELD GUIDE

Restaurant properties

What normalized operating cash supports the real estate after equipment and transition spending?

Financing an operating restaurant and financing a restaurant building leased to an unrelated tenant are different decisions. The operator case starts with sales that reconcile to receipts, then funds food, labor, occupancy and equipment needs. The landlord case starts with the lease. Keep that distinction visible before comparing loans. The following checklist reflects our analytical preparation suggestions rather than universal lender conditions.

A sale channel changes the cash that reaches the business

Separate dining-room, takeaway, delivery, catering and other material channels. Reconcile point-of-sale totals to merchant deposits, cash deposits, refunds, taxes collected and platform deductions. Compare labor and food costs on consistent periods. Promotional sales growth is not automatically repeatable margin, and a gross platform order value is not the restaurant's bank receipt.

Opening permission and kitchen spending are local facts

FDA describes its Food Code as a model used by adopting jurisdictions, not one automatically identical restaurant rule everywhere. Ask the responsible authority and qualified professionals what approvals and work apply to the subject location. For financing, connect hood, refrigeration, grease/wastewater, fire and accessibility findings to priced scopes and opening dates rather than assuming an existing kitchen is ready.

Franchise claims still need a store-level bridge

For a franchise, review the basis and relevance of financial performance representations in the disclosure materials. FTC guidance explains Item 19 and cautions readers to assess whether earnings information fits their circumstances. Use actual outlet evidence where available. Related-party building rent must be eliminated in a combined cash view; royalties, equipment obligations and external property costs remain real uses.

Use with the dedicated Excel model for this niche. All numerical scenarios are hypothetical. Research and calculation scope are separated throughout this guide.

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What lenders want to understand

These are preparation questions. The actual lender determines required evidence, accepted cash flow and approval conditions.

01 / Which sales and margins are evidenced at this location?

Supply channel-level receipts, deposit reconciliations, purchasing and payroll records, with one-time events separately explained.

02 / What spending and approvals stand between closing and opening?

Provide authority correspondence, qualified assessments, vendor scopes and a realistic carrying-cost budget.

03 / Does the cash case include the full franchise and property cost?

Reconcile recurring fees, renovation requirements, equipment financing and occupancy costs; validate the relevance of any disclosed earnings representation.

Turn questions into an evidence ledger

For each answer, record the document date, responsible person, unresolved issue and lender response. Distinguish requested, received, reconciled and accepted. A document upload does not establish acceptance.

Hypothetical: strong delivery sales, weak usable cash

A buyer sees rising reported sales at a takeout-heavy restaurant and requests a larger building loan.

Reconcile the reported order value to collected cash after platform deductions, then rebuild labor, food, marketing and equipment spending. Compare the resulting cash with the real estate and business debt together.

Revenue growth supports borrowing only when the related costs, collections and required investment are also visible.

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Document checklist

Use a common financial cutoff date. Record gaps and discrepancies alongside the documents.

Document and purpose	Status / owner
Sales-channel to bank-deposit reconciliation - Explain platform fees, sales tax, tips, refunds and timing differences without treating every deposit as sales.	☐ Received ☐ Reconciled Owner: _____
Food, labor and normalized compensation schedule - Identify the cost structure needed to reproduce the forecast sales.	☐ Received ☐ Reconciled Owner: _____
Kitchen/building assessment and approval timetable - Price identified work and confirm the actual jurisdiction's process.	☐ Received ☐ Reconciled Owner: _____
Franchise agreements and relevant disclosure materials, if applicable - Identify fees, obligations, transfer conditions and the evidence behind financial representations.	☐ Received ☐ Reconciled Owner: _____
Opening sources-and-uses and combined debt schedule - Include equipment, business acquisition, property costs and working capital; eliminate related rent only once.	☐ Received ☐ Reconciled Owner: _____

Attach the financing and cash evidence

Include a signed sources-and-uses reconciliation, existing debt and equipment obligations, proposed term sheet, available equity evidence, and a dated explanation for every material model assumption. Separate restricted balances from spendable cash.

Keep personal and customer records private

Use aggregate operating evidence in this educational workbook. Share sensitive supporting documents only through the lender or advisor's appropriate secure process. The workbook contains no upload connection.

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Use your dedicated Excel model

Sales Channels -> Operations -> Debt and Funding -> Summary

01 / Select a case

Save an untouched copy. In Assumptions D5 select 1 for Base or 2 for Downside. Both cases feed one monthly calculation; changing the selector recalculates the workbook.

02 / Populate the niche schedule

Replace blue input cells in Sales Channels!D10:M21 with dated source evidence. Retain formula cells. Source columns are: Dining/takeaway orders; Dining average ticket; Delivery-platform orders; Delivery average ticket; Platform fee / delivery sales; Food consumption / gross sales; Payroll cash; Other restaurant cash costs; Refund cash; Expansion capital.

03 / Replace scenario assumptions

Replace illustrative scenario drivers, property value, acquisition uses, available equity and financing terms in Assumptions. These examples are not market benchmarks or lender requirements.

04 / Reconcile cash and financing

Trace monthly Operations into Debt and Funding. The signed funding surplus deducts closing equity and additional operating cash need; a negative result is an unfunded requirement.

05 / Resolve missing inputs

Inspect the Review checks and every unavailable result. Missing or invalid selected data is n.a.; a valid zero remains zero. Do not replace missing records with zeros.

06 / Confirm the transaction scope

Reconcile the chosen case to lender definitions and actual documents. The model covers twelve operating months and a contractual principal calculation at maturity; it does not forecast future refinancing approval.

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Calculation scope and conventions

Read these alongside the visible formulas. The source schedule is dedicated to this niche; contractual and eligibility decisions remain outside the model.

Channel sales exclude sales taxes and employee tips. All sales collect in the current month; platform fees are deducted once as costs, not again from the delivery input. Refunds can create negative net receipts.

Food fraction is consumption cost. The separate signed inventory/payables cash use bridges purchases to consumption; a negative value releases cash. Royalties use gross sales only as the entered illustrative contract convention.

Combined cash is an operating-business and property measure, not property NOI. Other business debt, taxes/distributions and maintenance capital are deducted once before the residual property-debt proxy.

Value and acquisition price refer only to the real estate. LTV never applies to enterprise value, goodwill, inventory or equipment. The modeled loan is property debt supported by residual combined cash, not a business-acquisition valuation or program eligibility test.

Business purchases, equipment purchases at closing and goodwill are excluded from the example acquisition uses. Reconcile their separate funding and resulting debt obligations before relying on the property-only equity gap. Include additional post-closing equipment or expansion cash in the capital schedule once.

Related-party rent is shown and eliminated. External property costs exclude mortgage debt and must not also appear in business operating inputs. No intercompany transfer permission is established.

Maintenance capital is deducted before sizing. Additional expansion/property capital is deducted below residual cash. Do not enter the same cost in both places.

All amounts are fictional. Residual coverage, value and cash tests do not establish bank DSCR, program eligibility, business value or a loan commitment.

Sizing cash equals modeled annual cash NCF plus the entered lender adjustment. The adjustment does not create spendable cash.

Coverage size uses amortizing annual service. The loan is the minimum of coverage, LTV, debt yield and the requested ceiling.

The three sizing thresholds are illustrative editable inputs. Negative NCF produces zero income-supported capacity, never a negative loan.

Monthly payments use annual rate/12; IO principal is unchanged. After IO the original principal amortizes over the entered period.

Closing cash and later operating shortfalls are reconciled without counting the same cash reserve twice.

All numerical values are illustrative; no market facts or lender approval are asserted.

The twelve-month operating model omits taxes on investor returns and future refinancing costs except expressly entered items.

Author verification uses Artifact Tool recalculation, saved-XLSX reimport and separate JS arithmetic; independent application verification is recorded separately.

Legal, licensing, environmental, engineering and lender-specific recognition require actual diligence.

Property debt versus business cash

The model starts from the operating business and deducts the listed external costs and obligations. Its remaining cash is a conservative proxy for supporting proposed property debt. This is not a standalone landlord NOI, a lender-defined global DSCR or an SBA eligibility test. Do not add intercompany rent as a second revenue stream.

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A reconciled hypothetical example

Base and Downside are separate recalculations of the same model. Displayed dollars are rounded; Excel retains unrounded values.

Illustrative result	Base	Downside
Business cash collections	\$2,340,000	\$1,998,612
Residual combined cash	\$207,240	-\$213,725
Residual cash used for sizing	\$207,240	-\$213,725
Modeled loan	\$1,300,000	\$0
Binding sizing constraint	Requested ceiling	DSCR
First-year debt service	\$94,916	\$0
Required closing equity	\$795,000	\$2,095,000
Equity left / (closing gap)	\$205,000	-\$1,095,000
Additional operating cash need	\$0	\$221,725
Equity left / (combined gap)	\$205,000	-\$1,316,725
Principal at modeled maturity	\$1,191,443	\$0

Base operating cash used for sizing is \$207,240. The modeled loan is \$1,300,000, with Requested ceiling binding. Closing uses of \$2,095,000 less that loan require \$795,000 of equity. Available equity is \$1,000,000; the signed combined surplus/gap is \$205,000 after any additional operating cash need. Downside changes the loan to \$0 and the combined result to -\$1,316,725.

Illustrative Base / Downside inputs: Real estate collateral value \$2,100,000 / \$1,750,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Change the case and trace the result

Compare the binding sizing constraint, closing equity, monthly cash low point and maturity principal. A smaller modeled loan can increase the sponsor funding need even if the property remains cash-positive. The lender may use different income adjustments, payment conventions or collateral limits.

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Sources, limits and next steps

Sources below support identified research claims. They do not validate the fictional numerical inputs or represent a financing commitment.

FDA: FDA Food Code

Food Code overview; Food Code Adoptions

Supports that the Food Code is a model used by adopting jurisdictions. It is not evidence that every jurisdiction applies the same edition or that the subject restaurant is approved.

<https://www.fda.gov/food/retail-food-protection/fda-food-code>

Source checked: 2026-10-21

FTC: A Consumer's Guide to Buying a Franchise

Financial Performance Representations (FDD Item 19); Evaluating Potential Earnings

Supports scrutinizing the basis and applicability of franchise performance representations. Our store-level cash-flow and debt analyses are not FTC lender standards.

<https://www.ftc.gov/business-guidance/resources/consumers-guide-buying-franchise>

Source checked: 2026-10-21

About this educational model

Prepared with AI assistance and independently checked against the published example. Artifact Tool recalculation and saved-file checks are recorded in the release evidence. Native Microsoft Excel recalculation has not been independently verified. Verify your edited scenario in your spreadsheet application before using its results.

Discuss your financing with Jaken Finance Group

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