How can a developer demonstrate their ability to make an equity contribution?

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There are several ways a developer can demonstrate their ability to make an equity contribution.

- **Bank statements or proof of funds** - Bank statements typically should be no more than 2-3 months old. A financial institution may provide a "proof of funds" letter. Statements from money market accounts or cash-equivalent holdings.
- **Audited or reviewed financial statements** – For established developers, CPA-prepared financials can be used as evidence. The balance sheet should show cash and equity. The income statement should demonstrate ongoing financial strength. Notes should describe liquidity or available capital. This is especially important for larger or multi-phase housing projects.
- **Line of Equity or Equity Commitment Letters** – A developer can provide a committed line of credit, a letter from an investor or parent company committing capital or a partnership agreement showing capital contributions. These should be signed, specific about the amount, and from a credible financial partner.
- **Land Contribution** – If the developer already owns the land, it can be equity. To document this, the developer should provide a current appraisal, provide a deed or proof of ownership, and who that the land is unencumbered or disclose any liens.
- **Investor Equity** – If the project includes outside investors, the development can provide signed investor commitment letters, partnership or operating agreements, and capital call schedules.
- **Tax Returns Demonstrating Financial Strength** – Developers sometimes use personal or corporate tax returns, which can demonstrate net worth, liquidity, and the ability to inject capital when needed.

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