

Pro Forma Exercise Suggested Solution

Stabilized Year Operating Statement

Gross Scheduled Income (GSI) Retail – 2500 s.f. @ \$10/ft/yr Residential – 2 @ \$1000/month x 12 **Gross Scheduled Income** Less: Vacancy Retail (10%) Residential (15%) Effective Gross Income (EGI) Less: Expenses (35%) (oer) Net Operating Income (NOI) Less: Debt Service (ds) Cash Flow (cf)

```
* $42,900 x .35
** $27,885 ÷ 1.2
```

\$25,000 24,000 \$ 49,000 (2,500) 3,600) \$ 42,900 (15,015) * \$ 27,885 (23,238) ** \$ 4,647

Rehabilitation Budget

Retail – 2500 s.f. @ \$50/ft Residential – 2 @ \$50,000 Total Hard Costs Plus: Soft Costs (25%) Total Rehabilitation Budget \$ 125,000 <u>100,000</u> \$ 225,000 <u>56,250</u> <u>\$ 281,250</u>

Maximum Mortgage and Rehabilitation Budget Calculations

Gross Scheduled Income	\$ 49,000
Less: Vacancy	(6,100)
Effective Gross Income	\$ 42 <i>,</i> 900
Less: Expenses (35%)	<u>(15,015)</u>
Net Operating Income (NOI)	\$ 27 <i>,</i> 885
Divided by Debt Coverage Ratio	1.2
Available for Debt Service	\$ 23,238
Divided by Debt Service Constant (7%/20 yr)	.0930
Maximum Mortgage Amount	\$249,866
<u>SAY \$250,000</u>	
Maximum Mortgage Amount	\$250,000
Plus: Equity Available	45,000
Less: Acquisition Cost	(60,000)
Maximum Rehabilitation Budget	\$235,000

Gap Calculation – Method 1

Maximum Mortgage Amount Plus: Equity Available Less: Acquisition Cost Maximum Rehabilitation Budget

Rehabilitation Budget

Retail – 2500 s.f. @ \$50/ft Residential – 2 @ \$50,000 Total Hard Costs Plus: Soft Costs (25%) Total Rehabilitation Budget 45,000 (60,000) \$235,000

\$250,000

\$ 125,000 <u>100,000</u> \$ 225,000 <u>56,250</u> \$ 281,250

Less: Maximum Rehabilitation Budget Amount of *GAP* <mark>(235,000)</mark> \$ 46,250

Gap Calculation – Method 2

Amount of GAP	\$ 46,250
Less: Total Value	<u>(295,000</u>
Total Cost	\$341,250
SAY \$295,000	
SAV 6205 000	\$294,000
Times: Gross Rent Multiplier	6
Gross Scheduled Income	\$ 49,000
OR	
SAY \$295.000	<i>Ų 233,32</i> 0
Fstimated Value	<u>.095</u> \$ 293 526
Net Operating Income	\$ 27,885
Value of Project	¢ 27.005
Total Cost	\$ 341,250
Rehabilitation Soft Costs	<u> </u>
Rehabilitation Hard Costs	225,000
Acquisition	\$ 60,000
Cost of Project	

Source and Use of Funds

Use of Funds		
Acquisition	\$ 60,000	
Rehabilitation Hard Costs	225,000	
Rehabilitation Soft Costs	56,250	
Total Use of Funds		\$341,250
Source of Funds		
Debt (20 year, 7%)	\$250,000	
Equity	45,000	
	\$295,000	
*	46,250	
Total Source of Funds		\$341,250

* Might identify this as "Gap" or "To be determined" or "Intervention Funds Required" or "Shortfall"