

The logo features a stylized house outline in green and blue, with the word "NEVADA" in blue capital letters. The letter "N" is partially enclosed by the house outline.

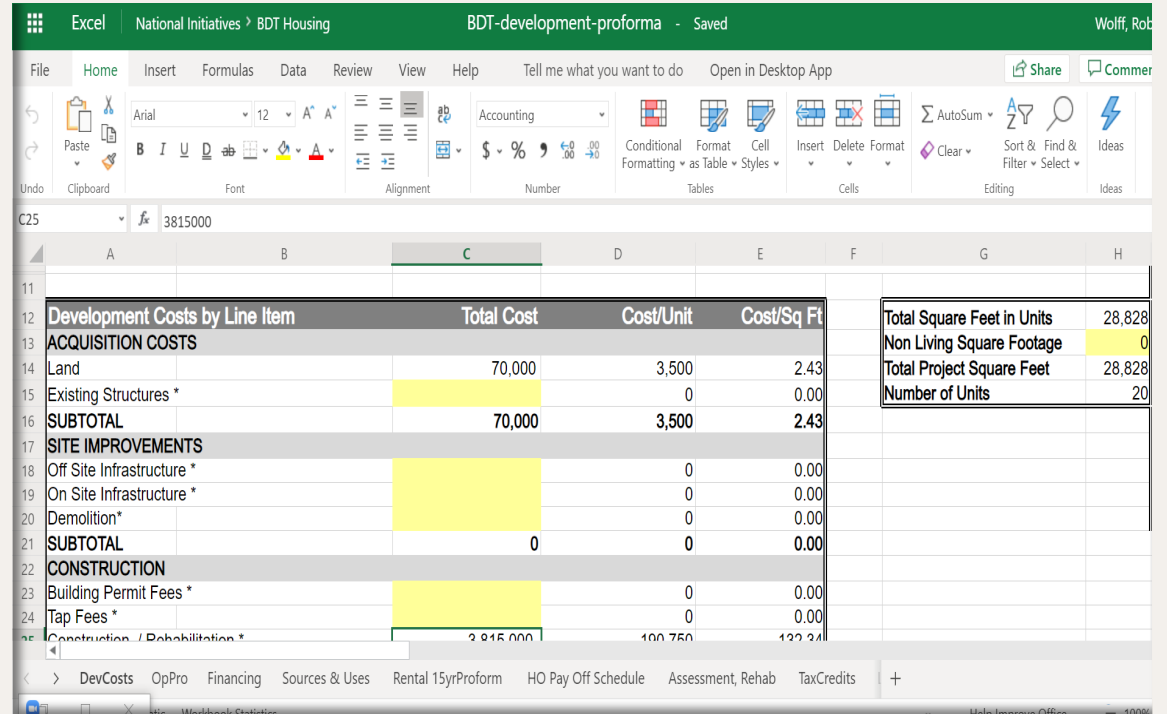
# **NEVADA Housing Coalition**

## **Nevada Affordable Housing Toolkit Pro-forma Overview**

 **Home Means Nevada and Every Nevadan Deserves a Home**

# Feasibility Analysis: What is a Pro-Forma?

- A pro-forma is more than a budget. It is a tool for overall financial feasibility of a project
- Assessing a variety of factors, a proforma can project the operating expenses and revenues of a proposed development
- Developers use proformas to decide on items like how many units, how much community space, how much debt.
- Make decisions from a place of knowledge



The screenshot shows an Excel spreadsheet with the following table data:

Development Costs by Line Item	Total Cost	Cost/Unit	Cost/Sq Ft	Total Square Feet in Units	28,828
<b>ACQUISITION COSTS</b>				<b>Non Living Square Footage</b>	0
Land	70,000	3,500	2.43	<b>Total Project Square Feet</b>	28,828
Existing Structures *		0	0.00	<b>Number of Units</b>	20
<b>SUBTOTAL</b>	<b>70,000</b>	<b>3,500</b>	<b>2.43</b>		
<b>SITE IMPROVEMENTS</b>					
Off Site Infrastructure *		0	0.00		
On Site Infrastructure *		0	0.00		
Demolition*		0	0.00		
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0.00</b>		
<b>CONSTRUCTION</b>					
Building Permit Fees *		0	0.00		
Tap Fees *		0	0.00		
Construction / Rehabilitation *	2,915,000	100,750	122.24		

# Financial Feasibility Analysis: Components of a Pro-forma

Lots of jargon/Financing terms

Debt service coverage ratio (DSCR), loan terms, amortization schedule, NOI

Iterative process

Things change with more info, keep coming back to the pro forma

Don't wait until you need money

This tool can help you determine what money you need and can inform design

Development Costs by Line Item	Total Cost	Cost/Unit	Cost/Sq Ft
<b>ACQUISITION COSTS</b>			
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<b>SITE IMPROVEMENTS</b>			
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On Site Infrastructure *		0	0.00
Demolition*		0	0.00
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>CONSTRUCTION</b>			
Building Permit Fees *		0	0.00
Tap Fees *		0	0.00
Construction / Rehabilitation *	2,815,000	100,750	122.24

Total Square Feet in Units	28,828
Non Living Square Footage	0
Total Project Square Feet	28,828
Number of Units	20

# Financial Modeling: Things to Keep in Mind

## Development Pro-forma

- Determining Costs
- The components: hard costs, are only half of the equation

## Operating Pro-forma

- How Much Money Will the Development Generate in rents?

## Sources and Uses

- Deferred Developer Fee

Development Costs by Line Item	Total Cost	Cost/Unit	Cost/Sq Ft
<b>ACQUISITION COSTS</b>			
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<b>SUBTOTAL</b>	<b>70,000</b>	<b>3,500</b>	<b>2.43</b>
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Off Site Infrastructure *		0	0.00
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Demolition*		0	0.00
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>CONSTRUCTION</b>			
Building Permit Fees *		0	0.00
Tap Fees *		0	0.00
Construction / Rehabilitation *	2,815,000	100,750	122.21

Total Square Feet in Units	28,828
Non Living Square Footage	0
Total Project Square Feet	28,828
Number of Units	20

# Permanent Financing Sources

The Permanent Financing Sources tab is reflective of your capital stack

- Conventional Debt (Generally First Mortgage)
- Secondary Debt (Second and Third Mortgage)
- Tax Credit Equity
- Government Grants
- Other Grants
- Owner Equity

All the tabs in the notebook work together to help determine your Debt Service Coverage Ratio (DCR/DSCR) and your gap

The screenshot shows a financial model spreadsheet with the following sections:

- Permanent Financing Sources:**
  - TOTAL DEVELOPMENT COSTS: \$3,374,480
  - SOURCES OF FUNDS:
    - FIRST MORTGAGE: Lender, Type of Loan, Principal (2,150,000), Interest Rate (2.500%), Term (years) (33), Annual Payment (-95,745, 168 DCR)
    - SECOND MORTGAGE: Lender, CDFI, Type of Loan, Principal (675,000), Interest Rate (5.000%), Term (years) (30), Annual Payment (-43,493, 115 DCR)
    - THIRD MORTGAGE: Lender, Type of Loan, Principal, Interest Rate, Term (years), Annual Payment (0, 115 DCR)
    - TAX CREDIT EQUITY: 9% LIHTC Proceeds (0), 4% LIHTC Proceeds (0), Historic Tax Credits (0)
    - GOVERNMENT GRANTS AND SOFT DEBT: LHIC (0), USDA 516 Grant (848,007)
    - OTHER GRANTS (NON-GOVERNMENTAL): FH/B, AHP (250,000)
    - OWNER EQUITY: Deferred Dev. Fee (0, 84,000 kept), Owner Equity (Amount)
  - TOTAL SOURCES: 3,923,807
  - GAP (SURPLUS): 51,473
- Types of Loans:** C = Conventional, T = Tax-Exempt, F = Federal Financing
- Financing Sources: Total % of Total**

Conventional (C)	0	0%
Tax-Exempt (T)	0	0%
Federal Financing (F)	2,150,000	54%
Tax Credits	0	0%
Government Grants	948,007	24%
Other Grants	250,000	6%
Owner Equity	0	0%
GAP	51,473	1%
<b>TOTAL SOURCES</b>	<b>3,923,807</b>	<b>100%</b>
- Quick Calculation of Mortgage Principal:**
  - NOI: \$180,485
  - Cap Rate: 5%
  - Value at Cap Rate: \$3,264,495
  - LYR: 0
  - Maximum Loan Amt: \$0
  - Appraised Value: 0
  - LYR: 0
  - Maximum Loan Amt: \$0

A red circle highlights the 'TOTAL SOURCES' and 'GAP (SURPLUS)' rows. A red arrow points to the 'GAP (SURPLUS)' cell with the text "This is your gap!".

At the bottom, there are summary metrics: BEP (0.94), Poss. D/S @ 115 DCR (133,553), and DCR (1.043). A legend defines BEP as Break-Even Point, DCR as Debt Coverage Ratio, Poss. D/S as Possible Debt Service at a 115 Debt Coverage Ratio, and Cap Rate as Capitalization Rate.

# Operating Pro-Forma

This tab documents annualized expenses, revenue, and calculates debt

## Important Questions

- Are you aiming to serve multiple income brackets (AMI targets)?
- Are you aiming to serve varied-sized households?
- Are there Project-Based Vouchers?
- What are the taxes/will you need to pay taxes?
- What are the Fair Market Rents in your area?
- Are the rents of a 4- bedroom unit higher than the rents of a 3-bedroom unit?

STABILIZED FIRST YEAR INCOME						EXPENSES		
Bd/Bath	% AMI	#of units	Sq. Ft.	Monthly Rent	Total Annual Rent			
1						<b>Administrative Expenses</b>		
2		4	1104	900	43,200	Management Fee	7,500	3.17%
3		12	1457	976	140,544	Salaries and Benefits	30,000	FTE
4		4	1654	1,100	52,800	Legal & Accounting		
						Advertising		
						Office Supplies		
						Telephone		
						Audit		
						Other (please specify)		
						<b>Total Administrative</b>	<b>37,500</b>	15.85%
						<b>Operating Expenses</b>		
						Utilities		PUPM 0
						Trash Removal		
						Other (please specify)		
						<b>Total Operating</b>	<b>0</b>	
						<b>Maintenance Expenses</b>		
						Maintenance Supplies		
						Repairs		
						Extermination		
						Grounds (inc. snow removal)		
						Other (elevator, etc.)		
						<b>Total Maintenance</b>	<b>0</b>	
						<b>Other Expenses</b>		
						Real Estate Taxes	12,000	
						Property Insurance	4,000	
						Replacement Reserve	6,000	unit avg = 300
						Other (please specify)		
						<b>Total Other</b>	<b>22,000</b>	
						<b>TOTAL ANNUAL EXPENSES</b>	<b>69,500</b>	
						<b>NET OPERATING INCOME</b>	<b>160,486</b>	
						<b>DEBT SERVICE</b>		
						1st Mortgage	(95,745)	
						2nd Mortgage	(43,483)	
						3rd Mortgage	0	
						<b>TOTAL DEBT SERVICE</b>	<b>(139,227)</b>	
						P.U.P.A. Expenses *	2,975	
						Poss D/S @ 1.15 DCR	139,553	* P.U.P.A = Per Unit Per Annum Expenses
						<b>Project Debt Coverage Ratio</b>	<b>1.153</b>	<b>Utilities included in rent? Y/N</b>
								If yes, what utilities included in rent?