

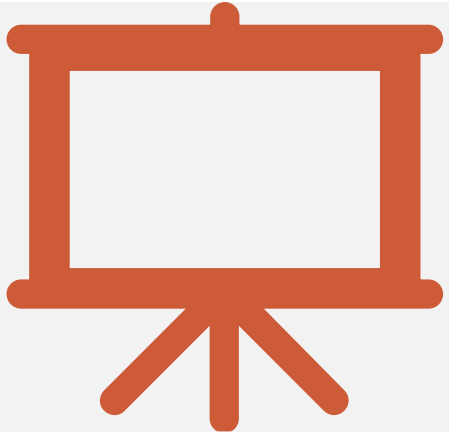
Rural Rental Preservation Academy

Financial Feasibility Part 1

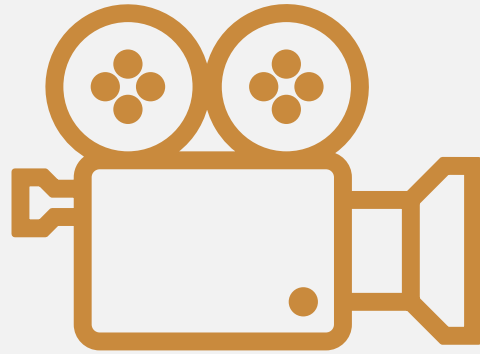
July 2, 2025



Housekeeping



All registered attendees will receive the slides via email



This session is being recorded. You will also receive a copy and it will be posted on the Enterprise website



We will answer questions throughout the presentation. Please submit them using the Q&A, chat or raise hand function



The link to register for upcoming sessions will be shared at the end of the presentation

LAND ACKNOWLEDGMENT

Unmatched **breadth, scale and expertise** across the entire spectrum of affordable housing...

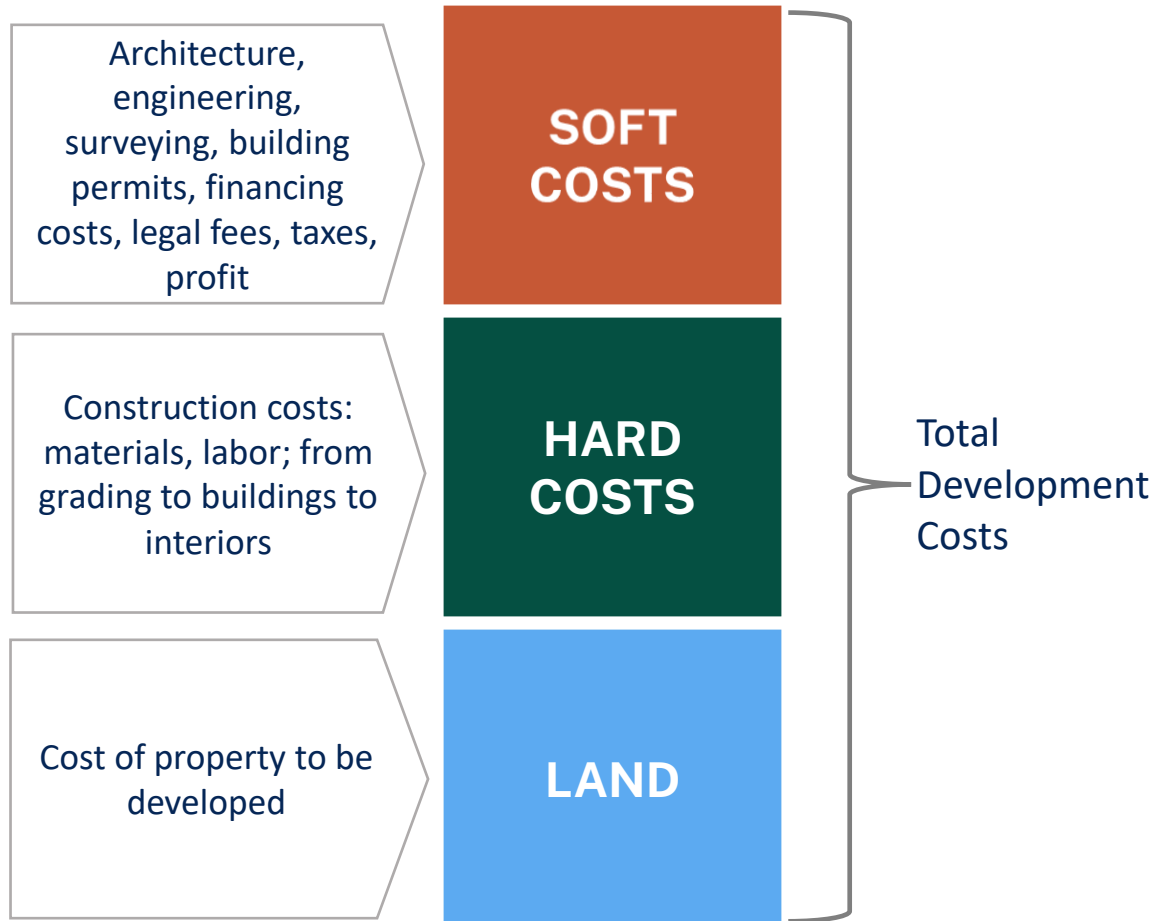


...creating a positive feedback loop
that does it **all under one Enterprise roof.**

UNDERSTANDING YOUR FUNDING NEEDS

Determining Cost and Assembling Financing

ASSEMBLING FINANCING



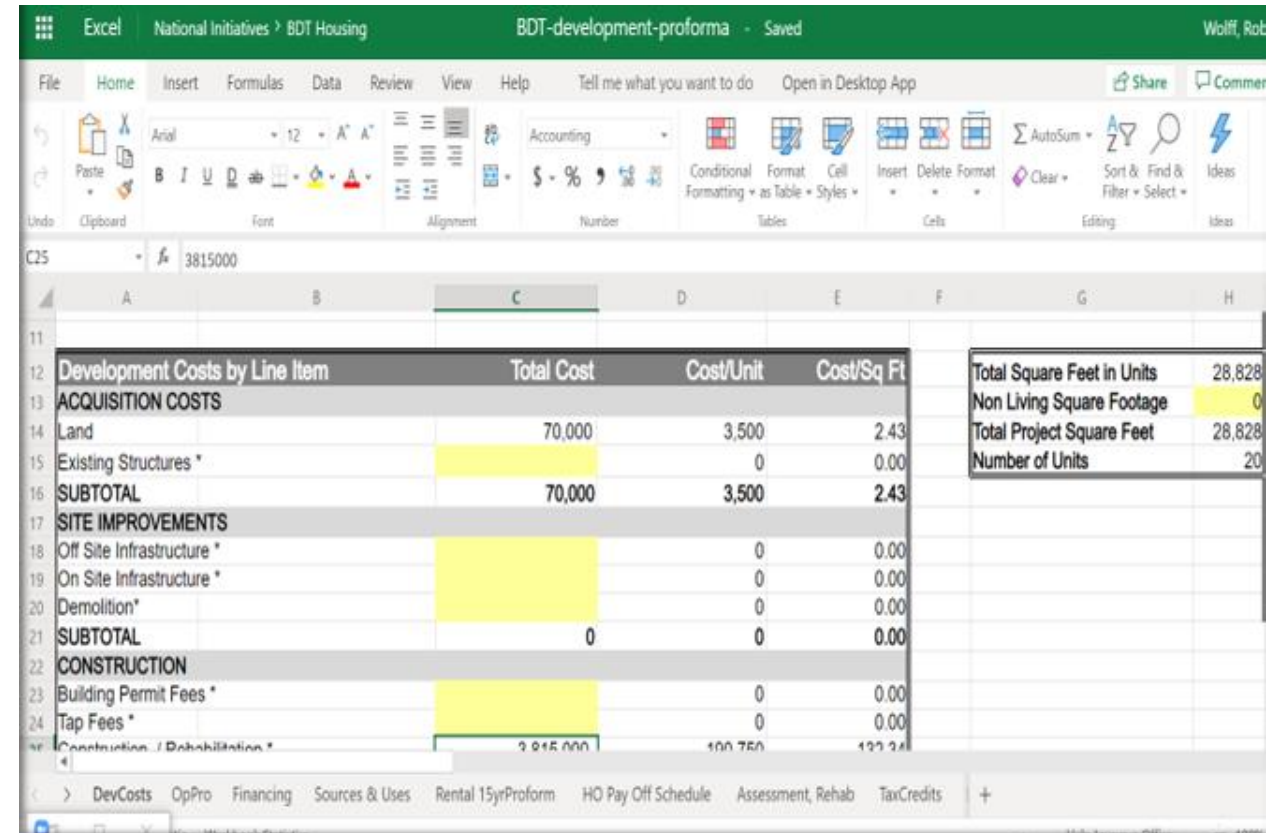
Determining Costs and assembling financing can be the most difficult step of development

Adapting structure to serve your development goals and meet budget

- Value Engineering

What is a Proforma?

- 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



Excel | National Initiatives > BDT Housing | BDT-development-proforma - Saved | Wolff, Rob

File Home Insert Formulas Data Review View Help Tell me what you want to do Open in Desktop App Share Comment

Undo Clipboard Font Alignment Number Tables Cells Editing Ideas

C25 3815000

	Total Cost	Cost/Unit	Cost/Sq Ft
Development Costs by Line Item			
ACQUISITION COSTS			
Land	70,000	3,500	2.43
Existing Structures *		0	0.00
SUBTOTAL	70,000	3,500	2.43
SITE IMPROVEMENTS			
Off Site Infrastructure *		0	0.00
On Site Infrastructure *		0	0.00
Demolition*		0	0.00
SUBTOTAL	0	0	0.00
CONSTRUCTION			
Building Permit Fees *		0	0.00
Tap Fees *		0	0.00
Construction / Rehabilitation *	2,915,000	100,750	122.28

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

DevCosts OpPro Financing Sources & Uses Rental 15yrProform HO Pay Off Schedule Assessment, Rehab TaxCredits

Components of a Pro-Forma

- **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

Excel | National Initiatives > BDT Housing | BDT-development-proforma - Saved | Wolff, Rob

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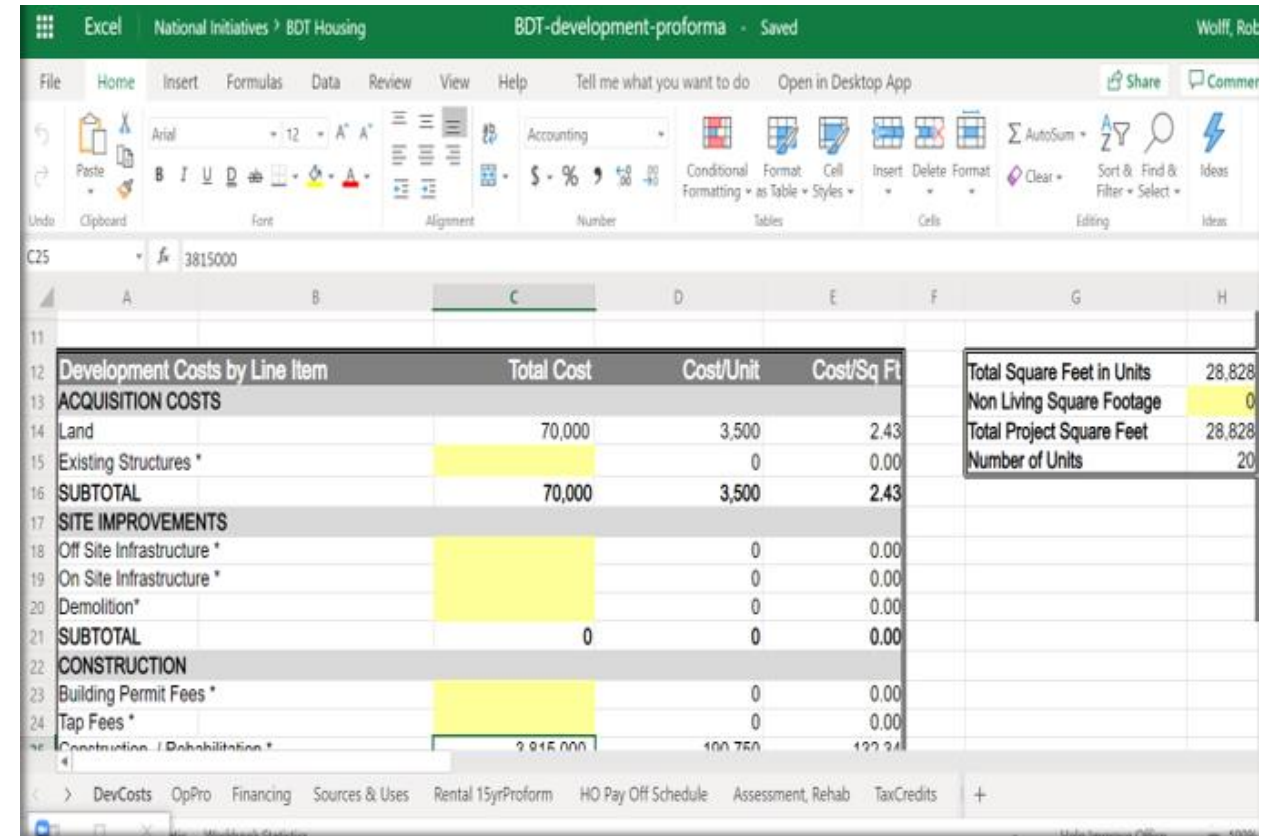
Development Costs by Line Item	Total Cost	Cost/Unit	Cost/Sq Ft	
ACQUISITION COSTS				
Land	70,000	3,500	2.43	
Existing Structures *		0	0.00	
SUBTOTAL	70,000	3,500	2.43	
SITE IMPROVEMENTS				
Off Site Infrastructure *		0	0.00	
On Site Infrastructure *		0	0.00	
Demolition*		0	0.00	
SUBTOTAL	0	0	0.00	
CONSTRUCTION				
Building Permit Fees *		0	0.00	
Tap Fees *		0	0.00	
Construction / Rehabilitation *	3,815,000	190,750	122.34	

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

DevCosts OpPro Financing Sources & Uses Rental 15yrProform HO Pay Off Schedule Assessment, Rehab TaxCredits +

Things to Keep in Mind

- 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



The screenshot shows an Excel spreadsheet titled "BDT-development-proforma" with a green header bar. The spreadsheet is organized into columns A through H. The data is presented in a table format with the following structure:

Development Costs by Line Item	Total Cost	Cost/Unit	Cost/Sq Ft
ACQUISITION COSTS			
Land	70,000	3,500	2.43
Existing Structures *		0	0.00
SUBTOTAL	70,000	3,500	2.43
SITE IMPROVEMENTS			
Off Site Infrastructure *		0	0.00
On Site Infrastructure *		0	0.00
Demolition*		0	0.00
SUBTOTAL	0	0	0.00
CONSTRUCTION			
Building Permit Fees *		0	0.00
Tap Fees *		0	0.00
Construction / Rehabilitation *	2,915,000	100,750	122.34

On the right side of the spreadsheet, there is a summary table:

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

Development Proforma

Land Acquisition/Site Acquisition

- Long Term Ground Lease, Trust land?

Planning, Design, & Approvals

- Architects, surveyors, planners, civil engineers, as well as specialists such as market analysts, environmental and traffic engineers

Site Work and Building Construction

- Rough grading and clearing, constructing roads and utilities, as well as drainage and environmental protection features.
- engineers, and construction managers

Amenities and Off-site costs

- Features that do not directly generate rents but are needed for the project to meet its goals

Construction Management and Developer Fees

Development Financial Model

Project Name:	Sample			
Date of Model Version	1/1/2021			
Development Costs				
Development Costs by Line Item		Total Cost	Cost/Unit	Cost/Sq Ft
ACQUISITION COSTS				
Land		70,000	3,500	2.45
Existing Structures *			0	0.00
SUBTOTAL		70,000	3,500	2.45
SITE IMPROVEMENTS				
Off Site Infrastructure *			0	0.00
On Site Infrastructure *			0	0.00
Demolition*			0	0.00
SUBTOTAL		0	0	0.00
CONSTRUCTION				
Building Permit Fees *		50,000	2,500	1.75
Tap Fees *		100,000	5,000	3.51
Construction / Rehabilitation *		3,000,000	150,000	105.20
Landscaping *			0	0.00
Contingency *		250,000	12,500	8.77
Other (please specify) *			0	0.00
SUBTOTAL		3,400,000	170,000	119.23
PROFESSIONAL FEES				
Architect Fees		181,212	9,061	6.35
Engineering Fees		60,400	3,020	2.12
Real Estate Attorney Fees			0	0.00
Soils Tests		4,000	200	0.14
Surveys			0	0.00
Green Planning and Design Fees		5,750	288	0.20
Other (please specify)			0	0.00
SUBTOTAL		251,362	12,568	8.81
CONSTRUCTION FINANCE				
Construction Insurance			0	0.00
Construction Loan Orig. Fee		2,500	125	0.09
Construction Interest		1,118	56	0.04
Attorney Fees			0	0.00
Title and Recording			0	0.00
Other (please specify)			0	0.00
SUBTOTAL		3,618	181	0.13

Operating Proforma

The Operating Pro-forma sheet can help you determine annualized expenses, the amount of revenue the project will generate, and the amount of debt the project can take on.

Rent income bases on Rents

- Things that matter, how many bedrooms bathrooms, how many square feet
- Space that does not generate revenue
- FMR, CRCU, % of AMI

Management and Overhead

- Trash, Snow removal, Property Management

Financing Interest

- Cash flow by debt service: **DSCR** = Net Operating Income / Total Debt
- **DSCR** of less than 1 would mean a negative cash flow. ... Typically, most commercial banks require the **ratio** of 1.15–1.35 times

Operating Proforma

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?

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Project Name:

A

B

C

D

E

F

G

H

I

J

K

Project Name:

Sample

Date of Model Version

1/1/2021

Operating Pro Forma

STABILIZED FIRST YEAR INCOME

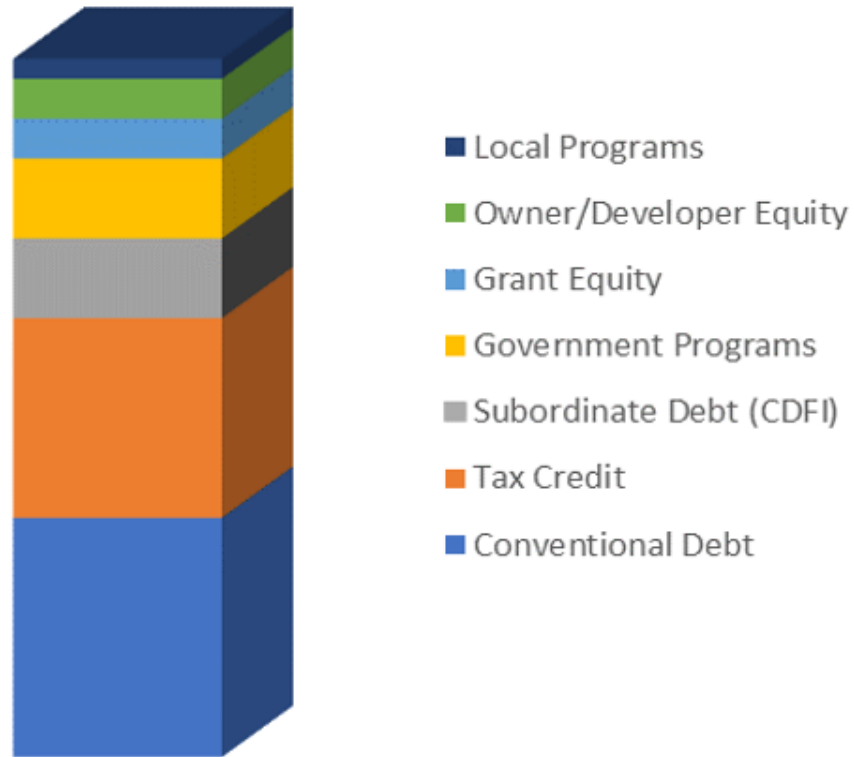
EXPENSES

Bd/Bath	% AMI	#of units	Sq. Ft.	Monthly Rent	Total Annual Rent				
1						Administrative Expenses			
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)			
						Total Administrative	37,500	15.85%	
						Operating Expenses			
						Utilities		PUPM	0
						Trash Removal			
						Other (please specify)			
						Total Operating	0		
						Maintenance Expenses			
						Maintenance Supplies			
						Repairs			
						Extermination			
						Grounds (inc. snow removal)			
						Other (elevator, etc.)			
						Total Maintenance	0		
						Other Expenses			
						Real Estate Taxes	12,000		
						Property Insurance	4,000		
						Replacement Reserve	6,000	unit avg =	300
						Other (please specify)			
						Total Other	22,000		
						TOTAL ANNUAL EXPENSES	59,500		
						NET OPERATING INCOME	160,486		
						DEBT SERVICE			
						1st Mortgage	(95,745)		
						2nd Mortgage	(43,483)		
						3rd Mortgage	0		
						TOTAL DEBT SERVICE	(139,227)		
						TOTAL ANNUAL REVENUE	299,713		
						Net Debt Service	160,486		
						Debt Coverage Ratio	1.153		
						Utilities included in rent? Y/N			
						If yes, what utilities included in rent?			

BEP = Break Even Point

Poss D/S @ 1.15 DCR = Possible Debt Service at a 1.15 Debt Coverage Ratio

Capital Stacks



- A capital stack is the funding or investment structure of a project
- The bottom of the capital stack have first priority for repayment if the organization defaults on its obligations.
- Unencumbered funds sit at the top of the capital stack. These funds are the last to get repaid in the event of a default.
- Equity in a project helps attract funders who bring in senior debt.

Permanent Financing: Identifying the Gap

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fx

A	B	C	D	E	F	G	H	I	J
Project Name:		Sample							
Date of Model Version:		V9/2021							
<div>Permanent Financing Sources</div> <div> <div>TOTAL DEVELOPMENT COSTS:</div> <div>\$3,974,480</div> </div>									
<div>SOURCES OF FUNDS</div> <div>FIRST MORTGAGE</div> <div> <div>Lender:</div> <div>Type of Loan</div> <div>Principal</div> <div>Interest Rate</div> <div>Term (years)</div> <div>Annual Payment</div> </div> <div> <div>2,150,000</div> <div>2.500%</div> <div>30</div> <div>-95,745</div> <div>169 DCR</div> </div>									

SECOND MORTGAGE Lender: CDFI Type of Loan Principal Interest Rate Term (years) Annual Payment 675,000 5.000% 30 -43,483 115 DCR									
THIRD MORTGAGE Lender Type of Loan Principal Interest Rate Term (years) Annual Payment 0 115 DCR									
TAX CREDIT EQUITY 9% LIHTC Proceeds 4% LIHTC Proceeds Historic Tax Credits 0 0 0									
GOVERNMENT GRANTS AND SOFT DEBT Source LHC USDA 516 Grant Amount Amount 0 848,007 0 per unit									
OTHER GRANTS (NON-GOVERNMENTAL) Source FHLB-AHP Amount Amount Amount 250,000									
OWNER EQUITY Source Deferred Dev. Fee Owner Equity Amount Amount 0 84,000 kept									
TOTAL SOURCES 3,923,007									
GAP (SURPLUS) 51,473									
BEP 115% Cap Rate 115% Cap Rate 115% Cap Rate									

Types of Loans:

C = Conventional

T = Tax-Exempt

F = Federal Financing

Financing Sources:

Conventional (C)

Tax-Exempt (T)

Federal Financing (F)

Tax Credits

Government Grants

Other Grants

Owner Equity

GAP

TOTAL SOURCES

Total % of Total

0

0%

2,150,000

54%

0

0%

848,007

21%

250,000

6%

0

0%

51,473

1%

3,239,480

83%

Quick Calculation of Mortgage Principal

NOI

Cap Rate

Value at Cap Rate

LVR

Maximum Loan Amount

Appraised Value

LVR

Maximum Loan Amount

\$360,486

6%

\$3,364,485

\$0

\$0

TC EQUITY

HARD DEBT

GRANTS & SOFT DEBT

OWNER EQUITY

BEP = Break Even Point

DCR = Debt Coverage Ratio

Poss D/S @ 115 DCR = Possible Debt Service at a 115 Debt Coverage Ratio

Cap Rate = Capitalization Rate

A list of Permanent Financing Sources is reflective of your capital stack:

- Conventional Debt
- Federal Debt
- Tax Credit Equity
- Government Grants
- Other Grants
- Owner Equity

— This is your gap

15-Year Operating Pro-Forma

Project Name:		Sample					
Date of Model Version		1/1/2021					
15-Year Operating Proforma							
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rent Income - increasing by	2.00%		\$236,544	\$241,275	\$246,100	\$251,022	\$256,043
Less Vacancy	7%		(\$16,558)	(\$16,889)	(\$17,227)	(\$17,572)	(\$17,923)
Other Income - increasing by	2.00%		\$0	\$0	\$0	\$0	\$0
Eff. Gross Income			\$219,986	\$224,386	\$228,873	\$233,451	\$238,120
Total Annual Expenses - inc. by	3.00%		(\$59,500)	(\$61,285)	(\$63,124)	(\$65,017)	(\$66,968)
NET OPERATING INCOME			\$160,486	\$163,101	\$165,750	\$168,434	\$171,152
Total Debt Service			(\$139,227)	(\$139,227)	(\$139,227)	(\$139,227)	(\$139,227)
Bridge Loan Debt Service			\$0	\$0	\$0	\$0	\$0
Cash flow Available			\$21,259	\$23,873	\$26,523	\$29,206	\$31,925
Debt Coverage Ratio			1.15	1.17	1.19	1.21	1.23
Projected Payments from Cashflow							
Deferred Developer Fees			\$20,000	\$20,000	\$11,000	\$0	\$0
Soft Debt #1			\$0	\$0	\$0	\$0	\$0
Soft Debt #2			\$0	\$0	\$0	\$0	\$0
Partnership Management Fees			\$0	\$0	\$0	\$0	\$0
Asset Management Fees			\$0	\$0	\$0	\$0	\$0
* Cash Flow over years 1-10	\$334,411						
* Cash Flow over 15 years	\$609,264						