



Pro Forma Training

What is a pro forma?

A pro forma is the development budget that includes the project's sources and uses and the projected 55 year cash flow that tells the financial story of the application.

What is the purpose of a pro forma?

The pro forma is a set of development assumptions that developers use to decide on whether to move forward with a project or not. These project assumptions will help determine the project's financial viability for the term of the SDHC loan.

What are the components of a pro forma?

A pro forma is comprised of several tabs in an excel workbook that contain the financial information of a proposed project including:

- **Project Information**
 - General Information of the makeup of the property
 - What funds are available (Sources)
 - How the funds will be used (Uses)
- **Operating Expenses**
 - How much it will cost to operate the property each year
- **Development Budget**
 - Line by line "one-time" development expenses
- **55-Year Cash Flow**
 - What the financial projections for the property are in the coming years

Tab 1: Instructions

Tab 2: Project Information

Use this tab to input key development data points, including:

- Project name and address
- The unit mix
 - Area Median Income (AMI) Levels
 - Number of units by bedroom type
 - Unit square footage
- The Construction and Permanent Financing Sources of funding for the project, including but not limited to:
 - SDHC Loan
 - First mortgage
 - Other sources
- Construction and Permanent Uses of Funds, including but not limited to:
 - Rehabilitation & Relocation
 - Architectural, Survey & Engineering
 - Legal & Reserves
 - Contingency
 - Developer fee
- Miscellaneous income, including but not limited to:
 - Laundry & Vending
- Utility Allowances
- List of lenders and the principal, rate, & term of each loan



Tab 3: Development Budget

The Development Budget tab provides a very detailed breakdown of the costs to develop the project.

- The acquisition, if applicable
- Temporary Relocation
- Hard Construction Costs
- Architectural, Survey, & Engineering
- Construction Interest & Fees
- Permanent Financing
- Legal & Reserve
- Contingency

Tab 4: Operating Expenses

A separate training for operating expenses will be held, which will go into greater detail on the specific items. In general, this tab is where a developer will input the recurring, annual costs to operate the property.

- Operating Costs
 - Payroll
 - Management Fees
 - Administrative Fees
- Other Operating Costs
 - Replacement Reserves
 - Property Taxes
 - Tenant Services

Tab 5: 55-Year Cash Flow

The 55-Year Cash Flow provides a projection of the operational health of the project, which is based on industry standards. This tab is used in conjunction with a Physical Needs Assessment (PCNA) to determine the amount available in the property's reserves compared to the physical needs of the property. This tab is automatically calculated based on the input entered in Tabs 2-4; do not enter information directly to this tab.

- Income
 - Residential Rents
 - Other Income
- Expenses
 - Operating Expenses
 - Replacement Reserves
- Debt service
 - Conventional Lender Debt Service
- Distribution of Net Cash Flow

SDHC Underwriting Assumptions

- Double check that all the information is accurate
- Ensure the financial information is consistent with SDHC's requirements
 - Affordability term: 30 year minimum
 - Affordable Housing- Replacement Reserves shall not exceed:
 - New Construction & Family projects- \$300/unit/year
 - Senior projects- \$250/unit/year
 - Shall be no less than 3 months and no more than 6 months
 - Rent up Reserves
- Permanent Supportive Housing- Replacement Reserve
 - \$400/unit/year
- Vacancy Rate
 - Affordable Housing-5%
 - Permanent Supportive Housing-10%
- Debt Service Coverage minimum of 1.15 in Year 1
- Review the pro forma for common errors
 - Miscalculation of Real Estate Tax
 - Not including building square footage or commercial space sqft.
 - Miscalculation of utility allowance