



# USES

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- **Acquisition**
- **Site Work**
  - Demolition
  - Environmental clean up
  - Clearing/grading
  - Infrastructure
  - Landscaping/Signage
- **Hard Costs**
  - New Construction
  - Rehabilitation
  - Permits/fees
- **Soft Costs**
  - Professional Fees
  - Financing Fees & Interest
  - Title
- **Reserve Accounts**
  - Rental Reserve
  - Capital/Operating Reserves
- **Developer Fee**



# SOURCES

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- Senior Debt
- Subordinate/Soft Debt
- Private Equity
- Tax Credit Equity
- Grants



## CASHFLOW

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- The cashflow section of the pro forma shows the total revenue and total operating expenses for the property on an annual basis.
- The projected Revenue minus the anticipated Operating Expenses equals annual Net Operating Income (NOI).
- The ratio of Net Operating Income to Debt Service is the Debt Service Coverage Ratio (DSCR). Most lenders want this to be 1.2 to 1.5.
- Return on private equity is shown here, based on agreed upon terms.



## STEPS

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1. Identify the right pro forma type
2. Estimate revenues
3. Get an operating budget from a Property Manager
4. Identify any project/location/use specific funding sources
  - Low Income Housing Tax Credits
  - HOME/HUD
  - New Market Tax Credits
5. Get costs from third parties
  - Hard cost & sitework estimates
  - Professional Fee proposals
6. Maximize Senior Debt to get to required DSCR which will determine the NOI - shop for best terms
7. Identify gap sources that will align with the remaining NOI - patient private equity, cashflow debt that support the proposed use.

## PRO FORMA LINGO

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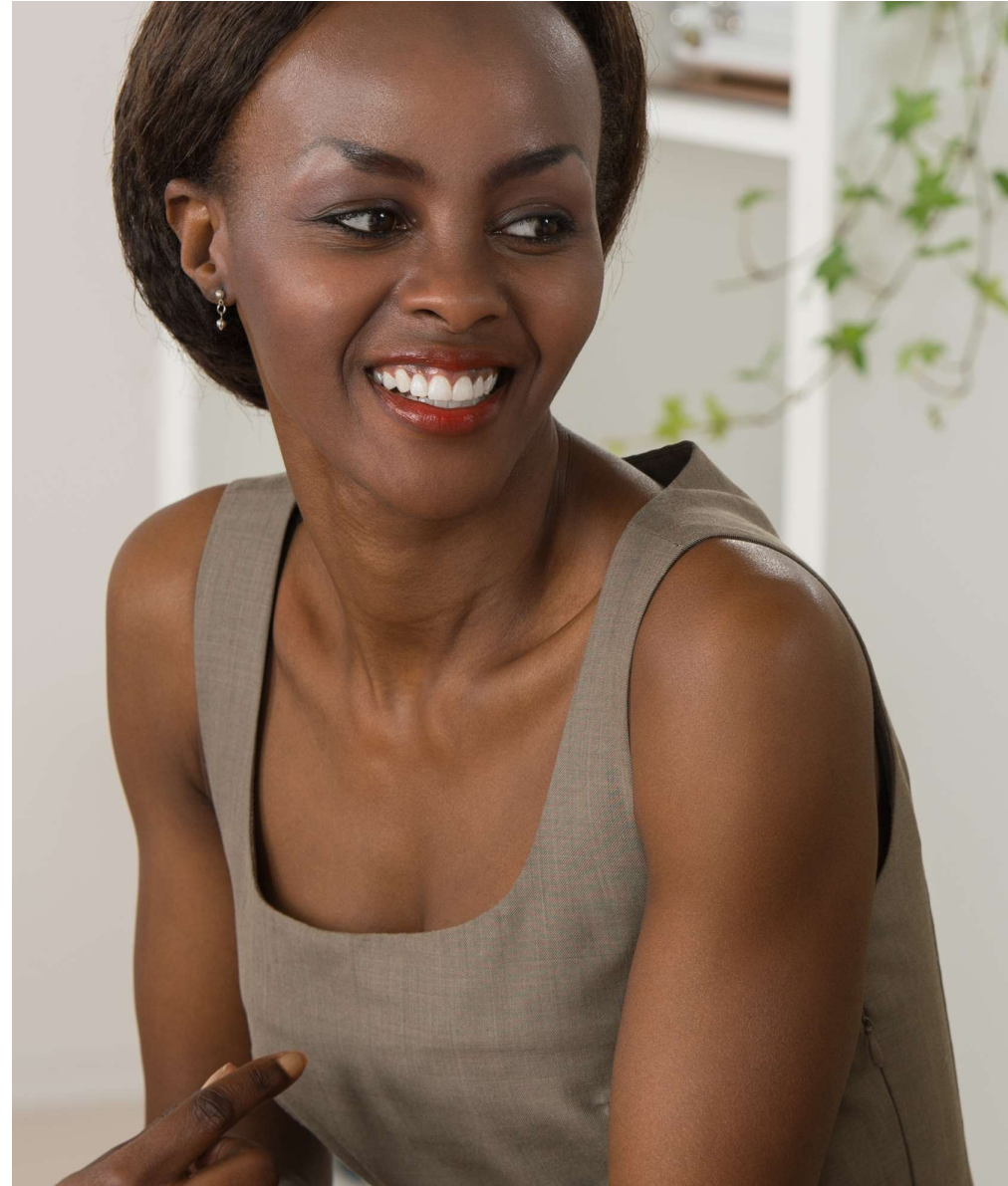
**Common Area Maintenance (CAM)** - the costs of common area maintenance that landlords pass on to their tenants.

**Debt Service Coverage Ratio** - The debt service coverage ratio (DSCR) is a metric used to evaluate how much cash flow is available to make the necessary annual payments on any outstanding debts.

**Equity** - the money value of a property or of an interest in a property in excess of claims or liens against it. : the common stock of a corporation. : a risk interest or ownership right in property.

**Gross Vs. NNN Lease** - A gross lease is an agreement that requires the tenant to pay the property owner a flat rental fee in exchange for the exclusive use of the property. The fee includes all of the costs associated with property ownership, including taxes, insurance, and utilities. A NNN is a lease in which the tenant agrees to pay their pro-rata share of all expenses associated with property maintenance, taxes, and insurance, in addition to a predetermined base rental rate and utilities.

**Internal Rate of Return (IRR)** - The internal rate of return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments.



# FOUNDER BIOS

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## **Karen Burton**

Karen A.D. Burton is a consultant and architectural designer who has contributed technical expertise to the design teams for large-scale architectural projects in Michigan and Las Vegas, NV. Karen is the co-founder of SpaceLab Detroit, a professional shared office and coworking space, to fill that need and give small businesses and startups resources to grow and compete for larger projects and to be a part of Detroit's resurgence. Karen is co-chair of the Pathways to Inclusion committee of ULI Michigan; a charter member of the Detroit chapter of the National Organization of Minority Architects and the National Association of Black Women in Construction, and a former board member of the Detroit chapter of the National Association of Women in Construction. Karen is a graduate of the University of Michigan's Taubman College of Architecture and Urban Planning and has completed coursework toward a Master of Business Administration at Wayne State University. She is a 2019 graduate of Goldman Sachs 10,000 Small Businesses program.



## **Brinda Devine**

Brinda Devine is the founder of P8 Real Estate Solutions. Brinda has over 25 years in the commercial real estate industry with experience in real estate development, capital project budget estimating and management, development and cost control of initial and ongoing operating budgets, asset management, portfolio management, commercial property management, commercial and medical lease negotiation and administration, acquisition and disposition of commercial real estate assets, landlord and tenant transactions, negotiation and compliance of contracts and agreements, due diligence, financial analysis and proforma modeling. Brinda is a successful published author and passionate speaker about living a purpose driven life. She holds a Masters in Business Administration from Wayne State University in Innovation and Entrepreneurship, a Bachelors of Science from Wayne State University in Finance. She was a member of the 2020 Cohort of the Equitable Development Initiative in Detroit through Capital Impact Partners. She is an active member of Urban Land Institute (ULI), and a member of the ULI Small Scale Local Product Development Council. She is a licensed Real Estate Broker.



## **Jill Ferrari**

Jill is the Managing Partner of Renovare Development, a woman-owned social impact commercial real estate development company headquartered in Detroit. Her 25-year background includes private real estate development, private law practice, consulting and community development. As an attorney and private real estate developer, she has managed complex brownfield redevelopment projects comprising over 100 acres in multiple states. Jill has held the position of Chief Executive Officer for multi-million dollar corporations focused on affordable housing and community and economic development, driving operations and overall vision for each organization.. Jill was named a 2021 "Notable Executive in Commercial Real Estate" by Crain's Detroit Business, a 2021 "Woman of Influence by GlobeST Magazine and a 2017 "Woman of Distinction" by the Wayne State University Council on the Status of Women and a 2016 winner of the Melvin Simon Award from the International Council of Shopping Centers (ICSC) Foundation. She is the Co-Chair of the Urban Land Institute (ULI) Michigan District Council.



## **Rachele Downs**

Rachele Downs is a veteran commercial real estate sales and economic development executive with 20+ years of representing institutional, corporate, and government and philanthropic entities. Currently, she is a Vice President with Dominion Real Estate Advisors, and the founder of Downs Diversity Initiatives, LLC, a community and economic development consultancy specializing in strategy, program design, and project management focused on diversity and inclusion in real estate, entrepreneurship, and workforce development. Rachele is a past-president of CREW Detroit and was the founding Program Manager for Wayne State University's Detroit Revitalization Fellows, where she designed, developed, and directed this innovative pilot program to increase the capacity of community and economic development organizations at the forefront of Detroit's revitalization. Rachele also led inGAGE™, Inforum's strategy to position Michigan as the Midwest hub for high-growth women entrepreneurs, where she designed and developed a comprehensive entrepreneurial support platform to assist Michigan women. Passionate about diversity, equity, and inclusion.



## **Lisa Berden**

After clerking for Michigan Supreme Court Justice Marilyn Kelly 15 years ago, Lisa amassed over a decade of in-depth experience in tax-based real estate finance, commercial transactions, and corporate law. Lisa has negotiated commercial leases throughout the country for office, industrial, retail and flex space uses for multi-national companies, and she has closed over \$115 million in state and federal NMTC allocations across four states. Furthermore, she has been involved in multiple public-private partnerships between private entities and state, county and local participants. Lisa is skilled in closing complex commercial real estate transactions, structuring tax credit financing, advising tax exempt organizations and counseling businesses regarding legal matters. She regularly advises clients about national and local economic development incentives in commercial transactions and counsels small and mid-sized clients on organizational and compliance matters to support their growth and development. Lisa is a graduate of Michigan State University and a cum laude graduate of Wayne State University Law School.