## 320 3rd St NE REAR Artist Lofts

| Project Month | | Year 1 Annual | | Year 2 Annual | | Year 3 Annual |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Rent | $ | 60,025.00 | $ | 66,033.00 | $ | 72,636.36 |
| Parking | $ | - | $ | - | $ | - |
| Other | $ | - | $ | - | $ | - |
| **Total Revenue** | $ | 60,025.00 | $ | 65,532.75 | $ | 71,585.83 |
| **Undistributed Expenses** | | | | | | |
| Administrative and General | $ | 2,401.20 | $ | 2,421.21 | $ | 2,443.22 |
| Utilities | $ | 5,400.00 | $ | 5,400.00 | $ | 5,400.00 |
| Marketing and Advertising | $ | 900.00 | $ | 900.00 | $ | 900.00 |
| Repairs & Maintenance | $ | 3,000.00 | $ | 3,000.00 | $ | 3,000.00 |
| **Total Undistributed Expense** | $ | 11,701.20 | $ | 11,721.21 | $ | 11,743.22 |
| | $ | - | | | | |
| **Gross Operating Profit** | $ | 48,323.80 | $ | 53,811.54 | $ | 59,842.61 |
| **Fixed Expense** | | | | | | |
| Property Taxes | $ | 8,412.00 | $ | 8,916.00 | $ | 9,540.00 |
| Insurance | $ | 1,500.00 | $ | 1,500.00 | $ | 1,500.00 |
| Business Insurance | $ | 4,200.00 | $ | 4,200.00 | $ | 4,200.00 |
| **Total Fixed Charges** | $ | 14,112.00 | $ | 14,616.00 | $ | 15,240.00 |
| EBITDA | $ | 34,211.80 | $ | 39,195.54 | $ | 44,602.61 |
| **Mortgage** | $ | **43,200.00** | $ | **43,200.00** | $ | **43,200.00** |
| Total Dept service | $ | 43,200.00 | $ | 43,200.00 | $ | 43,200.00 |
| 4 % Reserves | $ | 2,401.00 | $ | **2,621.31** | $ | **2,863.43** |
| Cash Flow | $ | (11,389.20) | $ | (6,625.77) | $ | (1,460.82) |
| Debt Servicing Ration (DSR) | | 0.79 | | 0.91 | | 1.03 |

NOTE: Assumes an increase from $1.00/square foot (former rate) to $2.00/square foot and 100% occupancy

A DSCR of 1.0 is called a break even cash flow. That is because the net operating income (NOI) is just enough to cover the mortgage payments (debt service).

A DSCR of less than 1.0 would be a situation where there would actually be a negative cash flow. A DSCR of say .95 would mean that there is only enough net operating income (NOI) to cover 95% of the mortgage payment. This would mean that the borrower would have to come up with cash out of his personal budget every month to keep the project afloat.

Genearlly lenders frown on a negative cash flow. Some lenders will allow a negative cash flow if the loan-to-value ratio is less than around 65%, the borrower has strong outside income such as an electronic engineer, and the size of the negative is small. Lenders rarely allow negative cash flows on loans over $250,000.