FI-A02

REAL ESTATE DEVELOPMENT PRO-FORMA

This Knowledge Product is intended to be used as an interactive Excel spreadsheet available online on the GPSC's TOD website and the World Bank's TOD CoP website. The reader should first review the summary presented below before using the spreadsheet tool. review the summary presented below before using the spreadsheet tool.

Type: Spreadsheet + User Guide

TOD K P

ABOUT THE REAL ESTATE DEVELOPMENT PROFORMA TOOL

PURPOSE

This Transit Oriented Development Financial Analysis Tool is structure to present transit agencies, local governments, and private sector investors a preliminary assessment of potential return on investments (ROI) based on certain basic project development parameters assumed for TOD projects. The goal of this tool is to help organize the TOD project's total development budget, projected operating revenue and expenses to determine the cash flow over time, and identify the project's potential sources of funding including grants, debts and private sector equity.

The accompanying Excel worksheet calculates the cost of a typical TOD development project based on block cost estimates on per unit area method. It also assists in calculating the projected revenue from different sources through calculation based on the average market rate for capital and rental values in the micro-market. However, it is important to note that the tool is not a discounted cash flow analysis and therefore, does not take into account time value of money in the calculation of return on investment.

ASSUMPTIONS AND LIMITATIONS

- The tool is based on several assumptions and requires several data inputs to be diligently filled for appropriate outputs.
- Broad parameters have been taken into consideration enlisted in Risk Assessment tab, which may be referred to arrive at different scenarios of financial and market parameters.
- Every project requires its own customization, therefore, the tool is developed on basic factors to derive cash flows separately for transit infrastructure and real estate components.
- The tool requires inputs like operations cost and transit revenue to be assessed through other tools forming part of the TOD Knowledge Product.

INTENDED OUTCOMES

- An assessment of value generation by the development of real estate components forming part of the TOD.
- Derivation of cross-subsidization capacity within an integrated development of TOD with real estate as the significant revenue generator for the infrastructure.
- Determination of viability gap in the development of transit infrastructure.
- Assessment of returns for the developer on equity scale post debt amortization.

HOW TO USE THIS TOOL?

First, the user should read the User Guide Tab before using the spreadsheet. The application of the Real Estate Development Pro-Forma tool consists of five basic steps:

01 STEP 1

Provide inputs related to the area statement of various development components envisaged as per the plan and design exercise in the TOD in the **Area Statement tab**.

02 STEP 2

Other details related to costing, occupancy, revenue, debt structure, interest charges etc. are to be provided in the **Data Sheet tab**.

03 STEP 3

The development timeline and revenue realization timelines need to be provided in the **Timelines tab**.

04 STEP 4

Based on the inputs provided in the above steps, the value are auto-calculated in the subsequent sheets of **Capex tab** (Capital Expenditure), **Opex tab** (Operations Expenditure), **Revenue tab**, I**nterest Charges tab**, **cf – Infra tab** (Cashflow for infrastructure) and **cf – real est tab** (Cashflow for real estate).

05 STEP 5

The risk assessment of the overall financial analysis can be made through broad parameters provided in the **Risk Analysis tab**.

Bogota, Colombia