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DETERMINING ACCEPTABILITY OF COMMERCIAL SPACE
IN SECTION 236 PROJECTS

A. Commercial Net Income

1.	Commercial Income	\$ <u>2,700</u>
2.	Vacancy (10%)	\$ <u>270</u>
3.	Effective Gross to Commercial	\$ <u>2,430</u>
4.	Less Commercial Expense	\$ <u>700</u>
5.	Commercial Net Income	\$ <u>1,730**</u>

B. Pro-Rata Cost of Commercial Space

6. Cost Attributable to Commercial ÷ Total Structures (Line M-12 ÷ Line G-41.)

$$\underline{\$18,150} \div \underline{\$2,420,000} = \underline{0.75\%}$$

7. This percentage applied to Total Cost of Project (Line G-71 x Line 6) equals cost of commercial.

$$\underline{\$2,955,000} \times \underline{0.75\%} = \underline{\$22,162.50}$$

C. Net Income to Support Commercial Cost

8. Debt Service, P&I plus MIP @ Market *

$$\underline{3.034273\%} \text{ P\&I @ 1\%} + \underline{5.3594\%} \text{ Subsidy rate} = \underline{8.393673\%}$$

9. Cost of Commercial (Line 7) time the Debt Service Rate (Line 8) equals the Minimum Commercial Net Income

$$\underline{\$22,162.50} \times \underline{8.393673\%} = \underline{\$1,860.25} **$$

Note: The net income, Line 9, needed to support the commercial cost must not exceed the net income, Line 5, obtainable from the commercial space if the commercial space is to be acceptable as proposed.

* P&I + MIP at the market rate is the sum of the P&I @ 1% plus the subsidy rate.

** In this example, the commercial space is not acceptable as proposed.