

VALUATION INSTRUCTIONS

Formats With Formulas For Calculating Replacement Cost. Replacement cost formats are provided for: (1) proposed construction (fee) projects, (2) proposed construction (leasehold) projects, and (3) rehabilitation projects. Each of the three formats contains two formulas; one to be used for projects with BSPRA and another to be used for projects without BSPRA.

The formats provide for the entry and summation of the various items of replacement cost in three separate categories; (1) quantity "A" is the sum of the **known** items of replacement cost on which BSPRA **may not** be allowed, (2) quantity "B" is the sum of the **known** items of replacement cost on which BSPRA **may** be allowed, and (3) quantity "C" is the sum of the **unknown** items of replacement cost first expressed in percentages or decimal fractions of the unknown mortgage amount, then scaled to the unknown replacement cost. Note that the multiplication of the sum of those quantity "C" items, which are expressed as percentages or decimal fractions of the unknown mortgage amount, by the loan ratio converts quantity "C" to a percentage or decimal fraction of the unknown replacement cost. If not expressed as a decimal fraction, quantity "C" should be converted to a decimal fraction before insertion in the format formulas.

Completion of the replacement cost formats is simplified when the instructions contained in the text and formulas are carefully followed. When a formula contains multiplication as well as addition and/or subtraction instructions remember to perform the multiplications before performing the additions and/or subtractions. For example: A = \$79,100, B = \$629,942 and C = .08145

$$\frac{A + 1.1 B}{1.0 - 1.1 C} = X$$

1.1 B is an instruction to multiply quantity "B" (\$629,942) by 1.1. The result (\$692,936) is then added to quantity A (\$79,100) to obtain \$772,036 for the numerator.

1.1 C is an instruction to multiply quantity "C" (.08145) by 1.1. The result (.089595) is then subtracted from 1.0 to obtain .910405 for the denominator.

The numerator (\$772,036) is divided by the denominator (.910405) to obtain the replacement cost, "X" (\$848,014)

Completion of the above formula in any other order would yield erroneous results.

NOTE: Use 1/2 of "as is" value for "property to be acquired" and 1/2 of existing indebtedness for "property owned" in quantity "B" when completing the "Replacement Cost - By Formula, Rehab Projects."