

FORMULAS FOR CALCULATING REPLACEMENT COST
WHEN A GROUND LEASE IS INVOLVED

A. Proposed Construction Without BSPRA - applicable to 236 NP and cooperative projects.

The symbols used in this formula relate to the following expressions:

- X = Replacement Cost
- A = Est. Market Price of Site
- B = Total of all known items except land value
- C = Total of all unknown items expressed as decimal fraction
- L = Value of Leased Fee

Using the above symbols, determine replacement cost using the equation;

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

This is completed as follows:

1. Total of all known Items including land value. (A + B) \$ _____
2. The value of the leased fee is multiplied by the total of all unknown items expressed as a decimal fraction. (L x C) \$ _____
3. Line 2 is subtracted from Line 1. \$ _____
4. The total of all unknown items expressed as a decimal fraction is subtracted from 1.0. (1.0 - C) \$ _____
5. The dollar amount in Line 3 is divided by Line 4 to Indicate the Replacement Cost. \$ _____

Mortgage Amount = X - L. The resulting mortgage estimate, rounded down to the even one hundred dollars, will be used in the completion of Section G of the 2264 (Section H of the 2264-B in the case of cooperatives) to calculate all cost estimates that are based upon a percentage of the expected mortgage.

4510.1

APPENDIX 16

B. Proposed Construction with BSPRA - applicable to 236 LD projects.

The symbols used in this formula relate to the following expressions:

- X = Replacement Cost
- A = Est. Market Price of Site
- B = Total of all known items except land value
- C = Total of all unknown items expressed as decimal fraction
- L = Value of Leased Fee

Using the above symbols, determine replacement cost using the equation:

$$X = \frac{A + 1.1B - .99 CL}{1.0 - .99C}$$

This is completed as follows:

1. Estimated market price of site (A) \$ _____
2. The total of all known items except land value is multiplied by 1.1 (B x 1.1) \$ _____
3. Sum of Line 1 and Line 2 \$ _____
4. The total of all unknown items expressed as a decimal fraction is multiplied by the value of the Leased Fee. The product of this multiplication is then multiplied by .99 (C x L x .99) \$ _____
5. Line 4 is subtracted from Line 3 \$ _____
6. The total of all unknown items expressed as a decimal fraction is multiplied by 0.99. (C x 0.99) \$ _____
7. Line 6 is subtracted from 1.0 \$ _____
8. The dollar amount in Line 5 is divided by the decimal fraction in Line 7 to indicate the Replacement Cost \$ _____

Mortgage Amount = .90 (X-L). The resulting mortgage estimate, rounded AM to the even one hundred dollars, will be used in the completion of Section G of the 2264 to calculate all cost estimates that are based upon a percentage of the expected mortgage.