

MINUTES
CPS PROPERTIES, INC. (New Britain Properties)
October 27, 2011

Directors Present: Catherine Smith, Chairperson of CHFA Board and Commissioner of the Department of Economic and Community Development
Orest T. Dubno, Vice Chairperson of CHFA Board and Acting Chairperson of Finance/Audit Committee
Anne Foley representing Benjamin Barnes, Secretary, Office of Policy and Management
Barbara McGrath, Chairperson of CHFA Mortgage Committee

Others Present: Susan Whetstone, Interim President of CHFA and President of CPS Properties, Inc.
Dara Kovel, Vice President of CPS Properties, Inc.
Nancy O'Brien, Vice President of CPS Properties, Inc.
William A. Dickerson, Secretary of CPS Properties, Inc.
Peter Simoncelli, CHFA Senior Mortgage Underwriter
George Rapp, CHFA Senior Asset Manager

Ms. Smith called the meeting of CPS Properties, Inc. (the "Corporation") to order at 9:16 a.m. in the Boardroom of CHFA's offices, 999 West Street, Rocky Hill, Connecticut.

Ms. Smith asked the directors to consider the minutes from the meeting held on June 30, 2011.

It was noted that a majority of the directors were not in attendance at the meeting. However, based on the opinion received from the general counsel, the current directors can accept the minutes even though they were not present at the meeting.

Upon a motion made by Ms. McGrath, seconded by Ms. Foley, the Directors voted in favor of adopting the minutes of the June 30, 2011 meeting as presented (Mr. Dubno was not present for the vote).

Mr. Rapp discussed the proposed resolution regarding the operating budgets for 2011-2012 for Corbin Heights, Pinnacle Heights Extension and Security Manor, New Britain (the "Properties"). He mentioned that staff completed its review of the annual operating budgets for the Properties for the fiscal year which runs from October 1, 2011 through September 30, 2012. He explained that the Properties are part of the State Housing portfolio and operate under the regulations and applicable statutes for the Moderate Rental and State Elderly Housing Programs. Mr. Rapp noted that the statutes require that the subsidiary, as the owner, review and approve the budgets. He stated that the Properties are expected to need operating support, and there is approximately \$143,000 remaining from the Investment Trust Account loan provided in 2009 to service operating deficits for this fiscal year. Mr. Rapp indicated that staff anticipates coming back to the subsidiary and Mortgage Committee in December to ask for additional funds. The amount will be dependent upon a more definite closing schedule for the redevelopment of Corbin Heights and Pinnacle Heights Extension. Mr. Rapp mentioned that an analysis of the budgets provided by the property management company continues to show deficits for Corbin Heights in

the amount of approximately \$399,271 or an average of \$33,273 a month and approximately \$169,910 or \$14,159 per month for Pinnacle Heights Extension. He indicated that transfer of ownership is anticipated in January 2012. If the transfer occurs in January 2012, the two properties will use \$134,334 of the \$142,729 available by the close of December 2011 operations.

Mr. Rapp reported that staff has been working to secure a contract for the disposition of Security Manor, and the goal is to dispose the property during the first half of 2012. In the event the property is not disposed, the annual deficit may be \$26,914 if capital repairs are needed.

Upon a motion made by Ms. McGrath, seconded by Ms. Foley, the Directors voted in favor of adopting the following resolution regarding the 2011-2012 Operating Budgets for Corbin Heights, Pinnacle Heights Extension and Security Manor, New Britain (Mr. Dubno was not present for the vote).

CPS PROPERTIES, INC.
RESOLUTION REGARDING THE 2011-2012 OPERATING BUDGETS FOR
CORBIN HEIGHTS, PINNACLE HEIGHTS EXTENSION AND SECURITY MANOR
NEW BRITAIN, CT

WHEREAS, CPS Properties, Inc. (the "Corporation") acquired properties known as Corbin Heights, Pinnacle Heights Extension and Security Manor in New Britain, Connecticut (the "Properties"); and

WHEREAS, the Corporation desires to adopt operating budgets for the Properties for 2011-2012.

NOW THEREFORE, be it resolved by the Board of Directors of CPS Properties, Inc. as follows:

Section 1. The attached 2011-2012 operating budgets for the Properties are hereby adopted.

Section 2. The Officers of the Corporation acting jointly or independently are hereby authorized to take or cause to be taken any and all such further action(s) deemed necessary, desirable, appropriate or convenient to carry out the intent of this resolution and the actions contemplated herein and upon such terms and conditions as determined by the President of the Corporation to be in the best interest of the Corporation.

Mr. Simoncelli reported on the development activities with Corbin Heights and Pinnacle Heights Extension, New Britain ("Corbin/Pinnacle"). He mentioned that CHFA received from the developer the signed commitment letters and purchase and sales agreements for Corbin/Pinnacle. Mr. Simoncelli stated that the developer has requested an extension of the current October 31, 2011 deadline for the initial closings. He explained that two resolutions being presented to the Mortgage Committee will conditionally extend the initial closing deadline to January 31, 2012 provided that CHFA staff confirms by November 30, 2011 that the developer has: 1) obtained sufficient project-based rent subsidies to meet both state legislation and CHFA debt service

coverage requirements and 2) finalized construction costs and achieved balanced sources and uses of funds for each development. In the event those conditions are not met by November 30, 2011, the extension will terminate on December 30, 2011.

Mr. Simoncelli mentioned that the developer must also finalize terms with the Hospital for Special Care for the transfer of approximately three acres of land that abuts the hospital property. He mentioned that in October, Commissioner Smith issued a letter to CPS Properties, Inc. detailing the requirements for the transfer of the property to comply with State legislation and the approved housing revitalization plan. CHFA subsequently issued a letter to the developer indicating CHFA will require deed restrictions for the transfer that limit the use of the property to something that is compatible with residential housing. In response to a question about the anticipated initial closings, Mr. Simoncelli stated that there are a significant number of closing requirements that must still be accomplished.

Mr. Rapp reported on Security Manor, a 50-unit elderly development, which is owned by the subsidiary but is not part of the redevelopment efforts. The development was constructed in 1962, and the property is located on approximately 2.88 acres with six single-story buildings and one community building. Mr. Rapp mentioned that the property is currently 100 percent occupied, and the management agent continues to accept applications for a waiting list to keep any potential vacancies to a minimum. He stated that a rent increase was approved by the Department of Economic and Community Development (“DECD”) and CHFA, and the residents were notified that the increase will take effect on November 1, 2011. Mr. Rapp noted that there will be no adverse effect on the residents as a result of the rent increase, and the rent increase will contribute in decreasing the annual deficit by approximately \$8,000. In response to a question, Mr. Rapp explained that the rent increase will effectively be obtained through an increase in the state Rental Assistance Payments for all but two of the residents who are over income and do not qualify for these rental subsidies. He stated that a Request for Proposals (“RFP”) was issued in November 2010 for the disposition of the property. Two letters of interest were received in response to the RFP, but no offers were received. One of the entities is no longer interested, but CHFA continues to advance negotiations with the other entity that expressed an interest in the property. If an offer is not received by the end of the year, Mr. Rapp stated that staff recommends the employment of a broker to solicit interest by qualified buyers with the intent of selling the property in the first half of 2012. Mr. Rapp indicated that in order to retain the rental subsidies and real estate tax abatement, qualified buyers would include nonprofits or governmental entities.

There being no further business to discuss, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 9:24 a.m.