

CHFA Capital Needs Assessment and Replacement Reserve Analysis

Prepared for:

Connecticut Housing Finance Authority
999 West Street
Rocky Hill, CT 06067

and

Recap Real Estate Advisors
38 Chauncy Street, Suite 600
Boston, MA 02111



38 Chauncy Street, Suite 600 | Boston, MA 02111
T: 617.338.9484 | F: 617.338.9422

on-site-insight.com



Shepherd Home

(A State of Connecticut Owned Building)

CHFA #88886H

Mercy Housing and Shelter Corp.
Middletown, CT

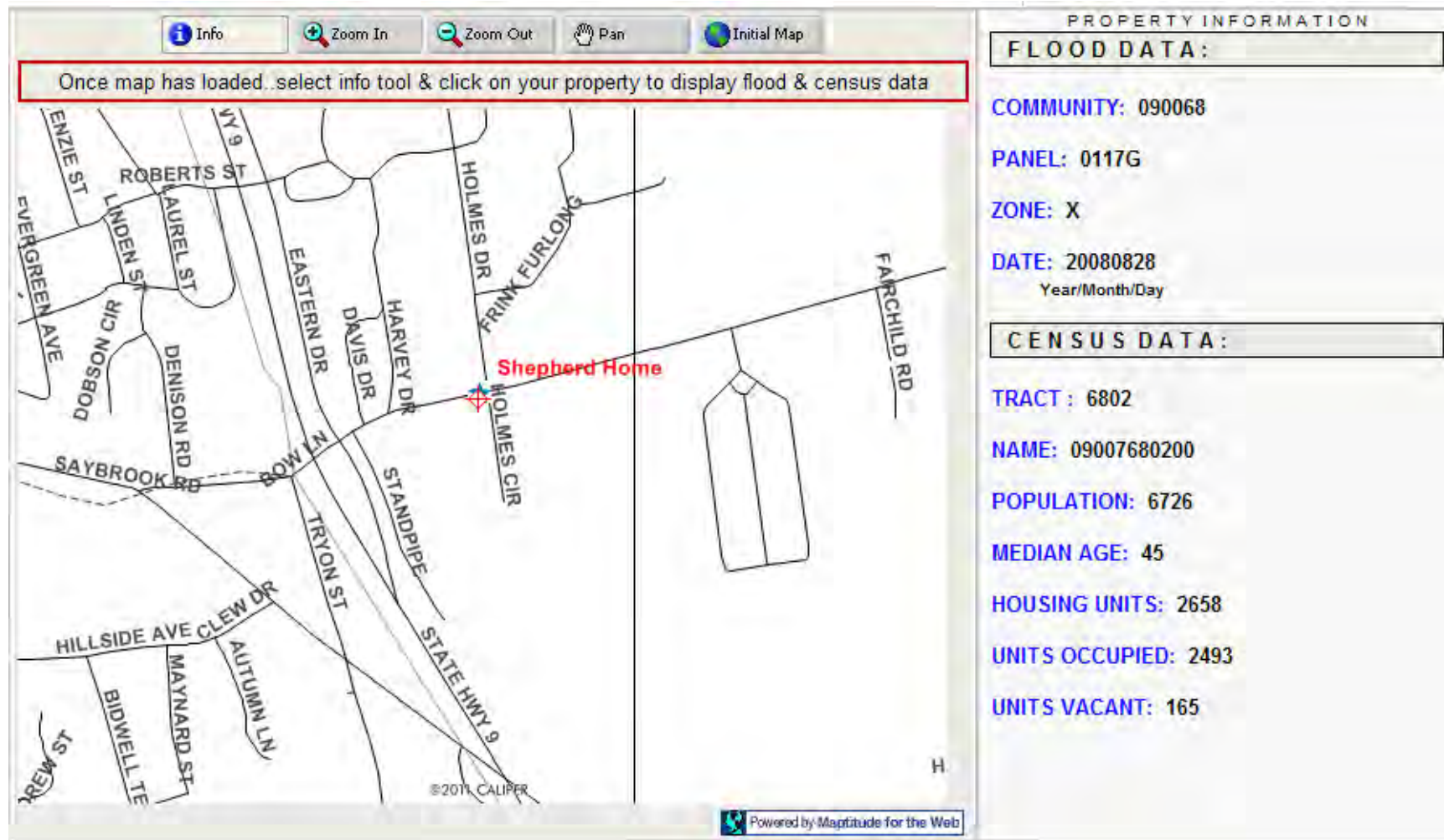
May 10, 2013

Final Report



Shepherd Home

112 Bow Lane
Middletown, CT 06457



Shepherd Home

112 Bow Lane
Middletown, CT 06457

Zone X = Outside the 500-year floodplain and
Outside the 1% and 0.2% annual chance floodplains

Executive Summary

Shepherd Home

Middletown, CT

Shepherd Home is a seventy resident transitional housing development that is situated on the campus of the Connecticut Valley Hospital. The development is comprised of a single building that is owned by the State of Connecticut, and it was originally constructed in the 1920's as housing for nurses working at the hospital. Conversion to its present use dates to 1988. In addition to a mix of single, double, and triple occupant rooms, the building houses a large multi-purpose room/dining room, commercial kitchen, and various office/support spaces. Future capital needs identified as part of this assessment do not include any potential cost premiums that might result from the building and/or (hospital campus) district being part of the National Historic Register.

Overall the development is in poor to fair condition. As shown on the attached capital needs worksheets, the development faces significant capital needs in the near term. Based on these projections, the development is seen as requiring an adjustment to current replacement reserve funding and/or an infusion of additional capital.

Key findings identified as part of this assessment include the following:

- Access drive and parking area surfaces serving the development are understood to be owned and maintained as part of the larger hospital campus – no future capital costs for these elements have been included in the assessment.
- The exterior masonry and wall surfaces and entry stairs exhibit cracks, areas of mortar loss, and wear; allowances for selective pointing and repairs are shown in Years 1 and 16.
- Wood trim, including large columns, aesthetically enhances the building's various elevations. Rot and deterioration were observed on the trim at various locations, but most notably at the wood columns and associated capitals and cornicing. Carpentry allowances to address these components are shown in Years 1 and 11. Allowances to paint the exterior trim components are shown concurrently.

- Original, single-glazed, wood-framed double-hung and casement-style windows are present throughout the building. The windows are in poor condition with many reportedly difficult to operate and/or control sashes from coming down unexpectedly. Additionally, extensive peeling of the paint finish on the exterior surfaces is widespread. Replacement of all windows is shown in Year 1.
- Entry doors to the building exhibit wear and deterioration; replacement is shown in Year 1.
- Loose/missing composite slate roof shingles were noted; allowances for roof surface inspection and as needed slate repairs are shown in Years 1 and 11. Replacement of the roof coverings on the flat roof surfaces over the building's side porches is shown in Year 1.
- Interior common area finishes are largely older and worn; allowances for painting and floor covering replacement at most locations are shown in Year 1.
- The third floor level in the center section of the building is currently unused but evidence of water infiltration at wall and ceiling surfaces is widespread throughout the space; a significant allowance to repair and refurbish this space is shown in Year 1.
- The development is heated via cast iron steam radiators that are fed from the central steam loop that serves the entire campus – overheated interior spaces are reportedly a typical condition in the winter; allowances for steam trap maintenance/replacement are shown in Years 1 and 1; however, more advanced controls/systems might be needed to balance temperature levels and requirements.. The steam-fed heat exchanger that is used for domestic hot water production within the building is a newer model and no near-term needs are anticipated.
- The air handler and condensers for cooling of the multi-purpose room are newer; no near-term needs are anticipated.
- The building is equipped with a hydraulic elevator that has been offline for an extended period of time; an allowance to replace the hydro-mechanical and controller dispatcher equipment is shown in Year 1.
- In-unit finishes exhibit age-related wear; allowances for an initial cycle of painting and floor covering replacement in all resident rooms is shown in Year 1.
- The development is partially compliant with handicap accessibility standards at the present time. Major deficiencies include the lack of access to the multi-purpose/dining room at the lower level due to the offline elevator and no handicap accessible restrooms at this floor level. Necessary improvements/modifications for these areas are included as part of work included in Year 1. A portion of the resident rooms at the first floor level are designated as handicap accessible; necessary modifications at to these and/or other additional rooms would include the installation of lever-style hardware on the entry door.

Additional Notes:

1. The Physical Assessment of the property was conducted on April 18th, 2013. Additional information was provided to ON-SITE INSIGHT by site staff and others. OSI was represented on this assignment by Bruce Hutchinson. We would like to staff of Mercy Housing and Shelter Corporation for their assistance.
2. Cost estimates used in this assessment are based on data from *RS Means Facilities and Construction Cost Data*. These cost estimates have been applied uniformly across the entire study portfolio to help ensure consistency of future projections. Actual owner and/or site pricing could vary significantly.
3. Unless required by fire, safety, or accessibility codes, items are typically shown being replaced in kind and do not include any planned upgrades or potential upgrade opportunities.
4. Regular updates of this plan are recommended to ensure careful monitoring of major building systems and to adjust the program to accommodate unanticipated circumstances surrounding the buildings, operations, and/or occupants.
5. This report is delivered subject to the conditions on Appendix A, *Statement of Delivery*.



Main entry to building with concrete ramp for handicap access



Building architecture as seen at entry elevation of building



Building architecture as seen original 'front' elevation –
Note portico and large columns



Each end elevation features an open porch area



Cracks noted in exterior brickwork



Typical area of mortar loss noted in exterior masonry surface



Granite stairs leading to original front entry are in need of re-pointing to prevent water damage



Wood columns at portico of original front entry exhibit rot, deterioration, and past repair efforts



Decorative capitals at top of columns exhibit varying levels of deterioration



Secondary building entry



Age-related wear and peeling paint widespread



Wear/deterioration on entry door to lower level of building



Original, wood-framed, single-glazed, windows are typical throughout the entire building



Typical condition of wood trim and paint finish at windows



Loose/missing slate roof shingles



Multi-purpose/dining room located at lower level



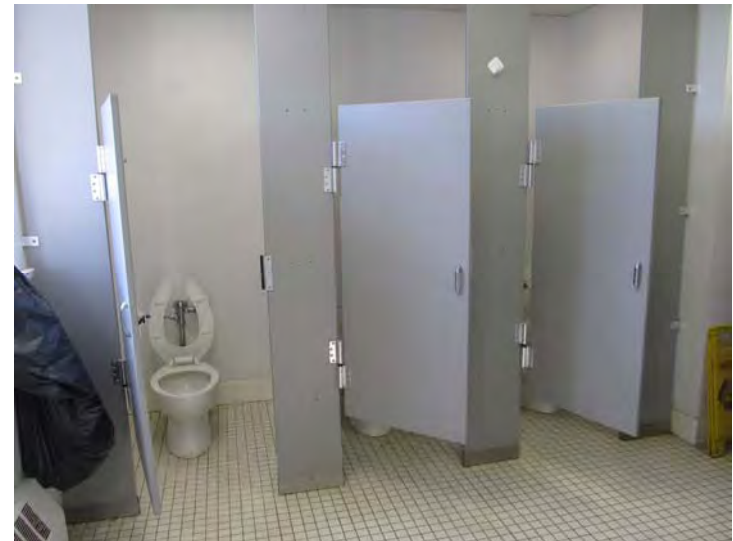
Vinyl flooring in multi-purpose/dining room is worn/damaged and in need of replacement



Commercial kitchen facility



Finishes and fixtures at basement level restroom are dated and worn



Restrooms at the first and second floor levels were refurbished in recent years



Typical common hallway



Heat exchanger that utilizes steam from central loop serving hospital campus to produce domestic hot water



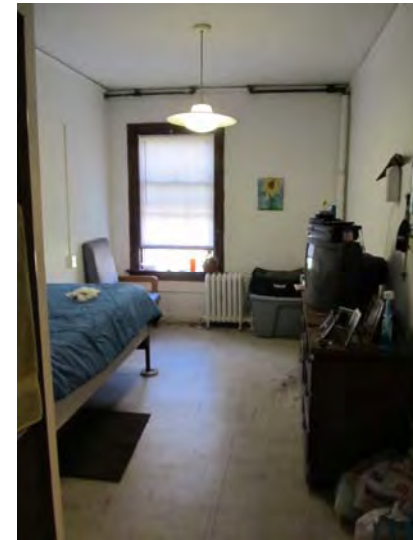
Air handler unit at multi-purpose/dining room was installed in recent years



Exterior condenser units work in concert with air handler unit to provide cooling capacity for multi-purpose/dining room



Hydro-mechanical and controller/dispatcher equipment for elevator has been offline for an extended period of time



Typical finishes in resident rooms



Wall surfaces at unused space on third floor level of building exhibit signs moisture infiltration and damage



Ceilings at space on third floor level also exhibit signs of moisture infiltration and damage

Comprehensive Capital Needs Assessment Schedule

Summary

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Beginning Replacement Reserve Balance:	
Annual Replacement Reserve Contribution:	
Additional Misc. Contribution:	

	Component	Total Planned Expenditures by Year																						
		Emergency	Deferred	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Revitalization
				2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
1	Site Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Building Exterior	0	0	273,195	0	0	0	0	0	0	0	0	0	103,777	0	0	0	0	70,626	0	0	0	0	0
3	Roofing	0	0	27,009	0	0	0	0	0	0	0	0	0	26,017	0	0	0	0	0	0	0	0	0	0
4	Lobby - Mail Area	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Community Room	0	0	198,480	2,520	2,596	2,674	6,736	2,837	2,922	3,009	3,100	3,193	5,726	3,387	3,489	3,593	9,052	29,472	3,927	4,044	4,166	4,291	0
6	Common Hallways	0	0	34,506	0	0	0	0	0	0	0	0	0	14,947	0	0	0	0	36,432	0	0	0	0	0
7	Common Stairways	0	0	5,077	0	0	0	0	0	0	0	0	0	6,823	0	0	0	0	0	0	0	0	0	0
8	Common Laundry	0	0	281	0	0	0	0	0	0	0	0	0	378	0	0	0	0	0	0	0	0	0	0
9	Common Area Restrooms	0	0	8,126	0	0	0	0	2,415	0	0	0	0	505	0	0	18,969	19,538	23,369	0	0	0	0	0
10	Building Boilers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Building Mechanical	0	0	8,800	0	0	0	0	0	0	0	0	0	14,716	0	0	0	11,723	11,661	0	0	0	0	0
12	Building Electrical	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Building Elevator	0	0	97,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11,685	0	0	0	0	0
14	Building Structural	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Unit Living	0	0	62,021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,689	13,070	13,462	13,865	14,281	0
16	Unit Kitchens	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Unit Bathrooms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Unit Electrical	0	0	1,197	1,233	1,270	1,308	1,347	1,388	1,429	1,472	1,516	1,562	1,609	1,657	1,707	1,758	1,811	1,865	1,921	1,978	2,038	2,099	0
19	Unit Mechanical	0	0	12,320	0	0	0	0	0	0	0	0	0	16,557	0	0	0	0	0	0	0	0	0	0
20	Annual Planned Expenditures	0	0	728,514	3,753	3,866	3,982	8,083	6,639	4,351	4,482	4,616	4,754	191,055	5,044	5,195	24,320	42,123	197,799	18,917	19,484	20,069	20,671	0
21	Annual Provision (indexed at 3%)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
22	Outside Capital			1,550,000																				
23	Cumulative Reserve Balance	0	0	821,486	817,733	813,867	809,886	801,803	795,164	790,813	786,331	781,715	776,961	585,906	580,862	575,666	551,347	509,224	311,425	292,508	273,024	252,955	232,284	

Site Improvements

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

13214 - Shepherd Home - FINAL SS 5/10/2013

Building Exterior

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Page 13

Roofing

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Lobby / Mail Area

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Community Room

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Page 16

Common Hallways

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

[illegible]

Comprehensive Capital Needs Assessment Schedule

Common Stairways

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

	Component	Current Total Replacement Cost	Expected Annual Rate of Inflation	Current Age	Total Expected Useful Life	Initial Replacement Year	Planned Expenditures by Year																													
							Code	Emergency	Code	Deferred	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Revitalization					
											2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032						
1	Walls	3,720		10	10	2013				3,720	0	0	0	0	0	0	0	0	0	4,999	0	0	0	0	0	0	0	0	0	0						
2	Ceilings	1,357		10	10	2013				1,357	0	0	0	0	0	0	0	0	0	1,824	0	0	0	0	0	0	0	0	0	0						
3	Floors					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
4	Doors					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
5	Railings					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
6	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
7	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
8	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
9	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
10	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
11	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
12	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
13	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
14	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
15	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
16	Other					2013				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
17																																				
18																																				
19																																				
20																																				
21																																				
22																																				
23																																				
24																																				
25																																				
26																																				
27	Annual Planned Expenditures						0	0	5,077	0	0	0	0	0	0	0	0	0	6,823	0	0	0	0	0	0	0	0	0	0	0	0					
28	Cumulative Reserve Balance						0	0	821,486	817,733	813,867	809,886	801,803	795,164	790,813	786,331	781,715	776,961	585,906	580,862	575,666	551,347	509,224	311,425	292,508	273,024	252,955	232,284								

Common Laundry

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Common Area Restrooms

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Building Boilers

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Page 21

Building Mechanical

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

13214 - Shepherd Home - FINAL SS 5/10/2013

Building Electrical

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

[illegible]

Building Elevator

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

[illegible]

Building Structural

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

13214 - Shepherd Home - FINAL SS 5/10/2013

Unit Bathrooms

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Unit Kitchens

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

[illegible]

Unit Electrical

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

13214 - Shepherd Home - FINAL SS 5/10/2013

Unit Mechanical

Owner Sponsor Name:	Mercy Housing and Shelter Corp.
Project Name:	Shepherd Home
Project City / Town:	Middletown

Current Year:	2013
Budget Effective Date:	January 1, 2013
Report Date:	April 28, 2013

Number of Units:	70
Total Square Feet:	27,508
Default Inflation Rate:	3.0%

Shepherd Home • Capital Needs Assessment • © On-Site Insight

Appendix A: Statement of Delivery

Our Capital Needs Assessment (the "CNA" or the "Report") on the subject property is delivered subject to the following terms and conditions:

1. This report and analysis are based upon observations for the visible and apparent condition of the building and its major components on the date of the fieldwork. Although care has been taken in the performance of this assessment, ON-SITE INSIGHT, Inc. (and/or its representatives) makes no representations regarding latent or concealed defects that may exist and no warranty or guarantee is expressed or implied. This report is made only in the best exercise of our ability and judgment.
2. We have undertaken no formal evaluation of environmental concerns, including but not limited to asbestos containing materials (ACMs), lead-based paint, chlorofluorocarbons (CFCs), polychlorinated biphenyls (PCBs), and mildew/mold.
3. Conclusions in this report are based on estimates of the age and normal working life of various items of equipment and/or statistical comparisons. Actual conditions can alter the useful life of any item. When an item needs immediate replacement depends on many factors, including previous use/misuse, irregularity of servicing, faulty manufacture, unfavorable conditions, Acts of God and unforeseen circumstances. Certain components that may be working when we made our inspection might deteriorate or break in the future without notice.
4. To prepare this report, we used historic data on capital activities and costs, blueprints (when available), and current prices for capital actions. We have not independently verified this information, have assumed that it is reliable, but assume no responsibility for its accuracy.
5. Unless otherwise noted in the report, we assume that all building components meet code requirements in force when the property was built.
6. If accessibility issues are referenced in the report, the site elements, common areas, and dwelling units at the development were examined for compliance with the requirements of the Uniform Federal Accessibility Standards (UFAS), and for Massachusetts properties, the Massachusetts Architectural Accessibility Board (AAB). The methodology employed in undertaking this examination is adapted from a Technical Assistance Guide (TAG-88-11) titled "Supplemental Information About the Section 504 Transition Plan Requirements" published by the Coordination and Review section of the U.S. Department of Justice Civil Rights Division, and the AAB Rules and Regulations, 521 CMR effective July 10, 1987. The Guide also incorporates the requirements of UFAS, published April 1, 1988 by the General Services Administration, the Department of Defense, the Department of Housing and Urban Development, and the U.S. Postal Service. Changes in legislation and/or regulations may make some observations moot.
7. Response Actions and estimated costs of responses were developed by ON-SITE INSIGHT, Inc. If additional structural work is necessary, costs for some Response Actions may exceed estimates. Whenever the Response Action is to remove, reposition, or modify walls, a competent structural engineer should be retained before any work is done, because such investigation may disclose that a Response Action is either more costly than estimated, or is not possible.
8. Conclusions reached in this report assume current and continuing responsible ownership and competent property management.
9. Regular updates of this plan are recommended to ensure careful monitoring of major building systems and to adjust the program to accommodate unanticipated circumstances surrounding the buildings, operations, and/or occupants.