# CHFA Capital Plan Property Assessment - Birchwood Terrace

## Property Identification

Birchwood Terrace
KILLINGLY, CT

| | |
|---|---|
| Total Current Unit Count: | 40 |
| Census Tract: | 9044.00 |
| Connecticut Congressional District: | 2 |

CHFA Property Identification #: 85087D
Current State Sponsored Housing Program: SH Elderly

This is a single, stand-alone property. As there are no other adjacent properties under common ownership, there are no opportunities for consolidation to achieve greater efficiencies of scale.

## Property Description

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|---|---|
| Tenancy Type: | Elderly/Disabled |
| Structure Type: | Low rise (1-4 floors) |
| Number of buildings: | 5 |
| Maximum # of Stories: | 1 |
| Elevator? | None |

Summary property description:

The Birchwood Terrace property has 40 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as central air conditioning, common laundry, a gazebo and a community room.

## Current Operating & Capital Needs Status

| | |
|---|---|
| Aggregate Capital Needs (without market enhancements): | $ 2,199,826 |
| Capital Needs per Unit: | $ 54,996 |
| Projected Year 1 (2014) Operating Income: | $ 25,512 |

Current operations at the property are projected to generate roughly $25,500 in net operating income (NOI, or revenue after operating expenses) in Year 1 (2014). With incomes and expenses trending at 2% and 3% respectively, which is a standard affordable housing industry convention, the NOI figure decreases annually and results in negative NOI beginning in 2028. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately $2.2 million ($54,995 per unit) over the next 20 years.

Owner Comments to Property Assessment: *Please see Page 9 for Owner Comments*

Current average income relative to the Area Median Income (AMI): 28%

In order for the property to operate in a sustainable manner into the foreseeable future, the property would benefit from greater revenues. This can happen in one of two ways - either the property could get operating subsidy from the state or federal government, or it could charge higher rents. A higher rent structure burdens low-income households to pay a greaterheir income for housing and it will require that the property serve tenants with modestly higher incomes.

| | Current Base Rent | Affordability (% AMI) |
|---|---|---|
| Studio/efficiency unit: | | |
| One-bedroom unit: | 220 | 14% |
| Two-bedroom unit: | | |
| Three-bedroom unit: | | |
| Four-bedroom unit: | | |
| Five-bedroom unit: | | |
| Six-bedroom unit: | | |

Currently, base rents are set by the owner of each property, often in consultation with CHFA staff. While there varying definitions of affordability, this study considers a rent which exceeds 30% of a household's adjusted gross income to be burdensome on the household's monthly budget. In the table to the left, the base rent is identified for each unit size. The table also identifies the minimum household income level for which the base rent would be considered "affordable." The household income level is presented as a percentage of the local Area Median Income.

There are strong reasons to keep the base rents low, as low base rents provide affordable housing options for the state's lowest income residents and reduce the burden of operating subsidies on the State budget. However, if the property's revenue stream (including any available operating subsidy and any cross-subsidy from higher income residents) does not cover the cost of actually operating the property, including the cost of ongoing maintenance and capital improvements, the property itself is at risk.

| | Proposed Base Rent | Affordability (% AMI) |
|---|---|---|
| Studio/efficiency unit: | | |
| One-bedroom unit: | 466 | 30% |
| Two-bedroom unit: | | |
| Three-bedroom unit: | | |
| Four-bedroom unit: | | |
| Five-bedroom unit: | | |
| Six-bedroom unit: | | |

The Capital Plan is intended to identify the real estate needs of the State Sponsored Housing Portfolio. In order to ensure a minimum revenue stream and in order to implement programmatic consistency regarding base rent levels, this analysis assumes that all base rents are adjusted in 2014 to equal the greater of a) the current base rent or b) 30% of the adjusted gross income of a household at 30% of AMI for the applicable household size, provided these levels do not exceed the local market. This base rent adjustment would represent a significant increase for some households. The analysis identifies the number of households that would be affected by such a change and the amount of operating subsidy needed to protect these households. If the owners elect not to raise the base rents as assumed in this analysis, the property is more likely to experience tight operating budgets towards the end of the Capital Plan subsidy period and will be less able to access leverage funding such as private debt.

Number of current households that would be impacted by the proposed increase in Base Rent: 18

Protecting the 18 Elderly/Disabled Households at risk in the event of a base rent increase is clearly a major concern. In 2014, the base rent increase creates the need for operating subsidy of $56,944 to protect these households while generating the revenue equivalent to the proposed increase in the base rent.

Rental operating subsidy necessary in 2014 to generate revenue equal to raising the base rent as proposed: $ 56,945

Total rental operating subsidy necessary assuming a turnover-based leasing strategy: $ 332,760

This 2014 rental operating subsidy would recur annually, with inflation increases, for the next 20 years if the State determines that, as a policy matter, the property should continue serving households with an income profile equivalent to the current residents at the property. An alternative formulation assumes that, upon turnover, new residents would move in for whom the proposed base rent is affordable and tenant protection operating subsidies would no longer be necessary. This turnover strategy requires less operating subsidy from the State, but also reduces the number of units of housing available to the lowest income residents of the community. The total tenant protection operating subsidy associated with the increase in the base rent assuming that, on turnover, the units are leased to households able to pay the new base rent without assistance is $332,759.

| Household Income Level | Current Income Mix | Proposed Income Mix |
|---|---|---|
| 0-25% of AMI | 18 | 18 |
| 25-50% of AMI | 22 | 22 |
| 50% of AMI or greater | 0 | 0 |
| Total number of units | 40 | 40 |

| | Pre-Trans. Base Rent | Post-Trans. Base Rent |
|---|---|---|
| Studio/efficiency unit: | | |
| One-bedroom unit: | 466 | 466 |
| Two-bedroom unit: | | |
| Three-bedroom unit: | | |
| Four-bedroom unit: | | |
| Five-bedroom unit: | | |
| Six-bedroom unit: | | |

Rental operating subsidy in the transaction year which would be necessary to generate additional revenue equal to that generated by income mixing: $ (0)

Transitional rental operating subsidy necessary to protect current residents and permit a five-year transition to income tier occupancy: $ (0)

Property used for market reference: Maple Courts

With the revenue generated by the increase in the base rent or the provision of an equivalent operating subsidy, the property should operate under a sustainable revenue picture for the foreseeable future. As a result, no additional revenue adjustments from income mixing are recommended in connection with the transaction.

| | Capital Surplus or (Gap) | Total (Gap) Funded by Subsidy inc. Capital & Operating |
|---|---|---|
| Current Scenario (excluding transaction costs): | (1,474,133) | (1,504,334) |
| Recoverable Grant Scenario: | (3,625,996) | (3,238,857) |
| CHFA/FHA Scenario: | (2,985,619) | (3,074,992) |
| 4% LIHTC Scenario: | (2,092,934) | (2,235,279) |
| 9% LIHTC Scenario: | (592,513) | (703,300) |

The Capital Plan analysis considers five scenarios and the prospect under each scenario to address the property's capital and operational needs. Each scenario's capacity to address the property's capital needs is listed to the left, as represented by the Replacement Reserve (RM&R) balance at the end of 20 years. Also at left is the total gap, including both operating subsidy needs and capital subsidy needs, over the 20 year study period.

- The first scenario, the "Current Scenario" assumes the property continues operating as it currently is operated - no material change in the base rent and no implementation of income mixing strategies to shift the property's revenue picture. Consequently, there is no adverse impact on residents or on the opportunity to serve the income demographic currently holding tenancies. The current scenario uses the baseline capital needs as the anticipated capital investment for purposes of identifying the surplus or gap. However, the current scenario - unlike the other four scenarios - does not include any allowance for soft costs (architecture or design, relocation, developer overhead, etc.) or for general contractor overhead and profit (as it is assumed each trade would come to the site independently, without the need for overarching coordination).

- The second scenario, the "Recoverable Grant Scenario" assumes any revenue adjustments described above (i.e., if the analysis suggested an increase in base rent and/or introduction of a mixed-income framework, or the equivalent revenue from federal or state operating subsidy). The Recoverable Grant Scenario envisions a streamlined allocation of funds from the State to the property, implemented with standardized documents and minimal legal or due diligence transaction costs. The Recoverable Grant would be repaid to the State to the extent possible from cash flow. The Recoverable Grant Scenario is most frequently selected when the transaction is too small to warrant the transaction costs associated with alternative financing or if the market is too weak to support debt or equity leverage.

- The three remaining scenarios - "CHFA/FHA," "4% LIHTC" and "9% LIHTC" correspond to three different leverage transaction structures. Each scenario includes transaction costs appropriate to the nature of the transaction. (For example, legal fees in the two LIHTC scenarios are higher than in the CHFA/FHA scenario.) Typically, the CHFA/FHA scenario would generate the least amount of funds for capital improvements and the 9% LIHTC scenario would generate the greatest amount, with the 4% LIHTC scenario falling in between. The CHFA/FHA scenario is a debt-only scenario, using either CHFA or FHA-insured financing. The two LIHTC scenarios assume both debt and a syndication of low income housing tax credits. The 4% tax credits rely on the use of tax exempt bond financing and are generally available when needed. (The analysis assumes that the tax exempt bonds will be used for construction funding in order to generate the tax credits, but may not remain outstanding at the full amount after permanent debt conversion.) The 9% tax credits are a competitive and scarce resource so cannot be assumed to be available for all properties.

## Recommended Transaction and Transaction Assumptions



| | |
|---|---|
| Recommended Transaction Option: | 4% LIHTC |
| Recommended Transaction Year | 2018 |
| Replacement Reserve Deposit PUPY: | 350 |
| Debt Service Coverage in Transaction Year: | 1.200 |
| Debt Service Coverage in Transaction Year 15: | 1.318 |
| Pre-Transaction Capital Subsidy Needed: | - |
| Transaction Capital Subsidy Needed: | 2,092,934 |

The capital plan recommends using the 4% low income housing tax credit scenario to finance the capital needs at this property. The debt-only scenario leaves significant capital needs unaddressed, while the use of 9% tax credits at this property would be an inefficient use of the scarce 9% resource given the competing needs within the portfolio and within the State as a whole. The 4% LIHTC scenario, however, covers the capital needs appropriately while minimizing the need for State capital subsidies.
This analysis has suggested a potential transaction year of 2018 based on a series of criteria outlined in the capital plan report. In short, the transaction year has been informed by the distribution of critical capital needs year-by-year at the property (i.e. roof, mechanical, structural components) and by the need to distribute the timing of capital transaction for properties within the State Sponsored Housing Portfolio over a period of years in order to manage scarce State-wide resources.

This property has been underwritten assuming replacement reserve deposits of $350 per unit per year, assuming debt service coverage is maintained over 1.318 throughout the first 15 years of the new financing, and assuming hard construction capital needs of $2.2 million.

The property is able to cover its capital needs from current replacement reserves through the date of the capital transaction, so no interim State support is needed.

## Summary of Recommended Transaction

Under the 4% LIHTC scenario, the property yields $89,733 in NOI in the transaction completion year, which includes $350 per unit per year in replacement reserve deposits. After debt service, the property generates $30,435 in cash flow in the capital transaction's completion year, trending to $18,844 fifteen years thereafter. Post-transaction, distribution of cash flow is governed by the terms of the transaction documents and, to the extent not restricted by the documents, could be used at the owner's discretion for ongoing capital needs, owner's working capital or the owner's other priorities. The transaction raises $897,000 in debt and $1,339,000 in equity. The transaction results in a gap of $2,092,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over $1,504,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over $3,625,000 if the capital needs are addressed in a consolidated transaction relying entirely on State capital subsidy.

| | |
|---|---|
| Immediate Emergency Capital Needs: | 0 |
| Current Deferred Capital Needs: | 17,654 |
| Current Routine Capital Needs: | 69,909 |

The chart below indicates the year-by-year capital investment needs at the property as projected by On-Site Insight. One should note, however, that On-Site Insight used a state-wide cost basis generated from the RS Means database for capital needs. Some high-cost communities can experience a premium of 10%-15% in excess of the State-wide figures. The chart also indicates the timing of State capital and operating subsidy needs assuming the transaction scenario described above.

| | | **Capital Subsidy** | | **Operating Subsidy** | | |
|---|---|---|---|---|---|---|
| Year | **Annual Capital Needs (per CNA)** | Pre-Transaction Capital Subsidy Needs | Transaction Capital Subsidy Needs | Operating Deficit Subsidy Needs | Base Rent Operating Subsidy Needs | Income Mixing Operating Subsidy Needs |
| 2013 | **87,563** | - | - | - | - | - |
| 2014 | **96,042** | - | - | - | 56,945 | - |
| 2015 | **73,290** | - | - | - | 52,275 | - |
| 2016 | **175,675** | - | - | - | 47,396 | - |
| 2017 | **185,090** | - | - | - | 42,301 | (0) |
| 2018 | **105,769** | - | 2,092,934 | - | 36,983 | - |
| 2019 | **109,255** | - | - | - | 31,436 | (0) |
| 2020 | **111,342** | - | - | - | 25,652 | - |
| 2021 | **91,112** | - | - | - | 19,623 | - |
| 2022 | **70,239** | - | - | - | 13,344 | - |

| | | **Capital Subsidy** | | **Operating Subsidy** | | |
|---|---|---|---|---|---|---|
| Year | **Annual Capital Needs (per CNA)** | Pre-Transaction Capital Subsidy Needs | Transaction Capital Subsidy Needs | Operating Deficit Subsidy Needs | Base Rent Operating Subsidy Needs | Income Mixing Operating Subsidy Needs |
| 2023 | **47,219** | - | - | - | 6,805 | - |
| 2024 | **259,847** | - | - | - | - | - |
| 2025 | **131,829** | - | - | - | - | - |
| 2026 | **47,870** | - | - | - | - | - |
| 2027 | **63,893** | - | - | - | - | - |
| 2028 | **46,962** | - | - | - | - | - |
| 2029 | **92,974** | - | - | - | - | - |
| 2030 | **116,794** | - | - | - | - | - |
| 2031 | **149,970** | - | - | - | - | - |
| 2032 | **137,092** | - | - | - | - | - |

## Income and Expense Analysis

| | CURRENT | | RECOVERABLE GRANT | | CHFA/FHA | | 4% LIHTC | | 9% LIHTC | |
|---|---|---|---|---|---|---|---|---|---|---|
| **2023 ANNUAL INCOME** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** |
| Gross Potential Rent | 219,033 | 5,475.82 | 328,568 | 8,214.20 | 328,568 | 8,214 | 328,568 | 8,214 | 328,568 | 8,214 |
| Vacancy/Loss | (706) | (17.65) | (706) | (17.65) | (16,428) | (411) | (23,000) | (575) | (23,000) | (575) |
| Other Income | 3,432 | 85.80 | 3,432 | 85.80 | 3,432 | 86 | 3,432 | 86 | 3,432 | 86 |
| **Effective Gross Income** | **221,759** | **5,543.97** | **331,294** | **8,282.35** | **315,571** | **7,889** | **309,000** | **7,725** | **309,000** | **7,725** |
| **2023 ANNUAL EXPENSES** | | | | | | | | | | |
| Operating Expenses | 190,344 | 4,759 | 206,909 | 5,173 | 200,845 | 5,021 | 200,516 | 5,013 | 200,516 | 5,013 |
| Replacement Reserve Deposits | 20,158 | 504 | 20,158 | 504 | 19,926 | 498 | 19,926 | 498 | 19,926 | 498 |
| **Total Operating Expenses** | **210,502** | **5,263** | **227,067** | **5,677** | **220,771** | **5,519** | **220,442** | **5,511** | **220,442** | **5,511** |
| **2023 NET OPERATING INCOME** | **11,257** | **281** | **104,227** | **2,606** | **94,801** | **2,370** | **88,558** | **2,214** | **88,558** | **2,214** |
| Debt Service | - | - | - | - | 58,311 | 1,458 | 59,298 | 1,482 | 54,790 | 1,370 |
| **2023 CASH FLOW** | **11,257** | **281** | **104,227** | **2,606** | **36,489** | **912** | **29,260** | **731** | **33,768** | **844** |

## Sources and Uses Analysis

| | CURRENT | | RECOVERABLE GRANT | | CHFA/FHA | | 4% LIHTC | | 9% LIHTC | |
|---|---|---|---|---|---|---|---|---|---|---|
| **SOURCES** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** | **Total** | **Per Unit** |
| Hard Debt | | | | | | | | | | |
| Commercial Debt 1 | - | - | - | - | 1,014,692 | 25,367 | 897,330 | 22,433 | 953,413 | 23,835 |
| Commercial Debt 2 | - | - | - | - | - | - | - | - | - | - |
| Tax-Exempt Bond | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Soft Debt | | | | | | | | | | |
| Seller Financing/Take Back Note | - | - | - | - | - | - | 1,200,000 | 30,000 | 1,200,000 | 30,000 |
| State | - | - | - | - | - | - | - | - | - | - |
| Local | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Other | | | | | | | | | | |
| From Operations | - | - | 18,823 | 471 | 32,823 | 821 | 32,823 | 821 | 32,823 | 821 |
| Cash Escrows | - | - | 129,784 | 3,245 | 129,622 | 3,241 | 129,622 | 3,241 | 129,622 | 3,241 |
| Grant | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer Fee | - | - | - | - | 213,697 | 5,342 | 222,823 | 5,571 | 221,838 | 5,546 |
| Equity | | | | | | | | | | |
| GP Contribution | - | - | - | - | - | - | - | - | - | - |
| LIHTC | - | - | - | - | - | - | 1,339,999 | 33,500 | 2,779,471 | 69,487 |
| Other | - | | - | | - | | - | | - | |
| **Total Sources of Funds** | **-** | - | **148,608** | 3,715 | **1,390,834** | 34,771 | **3,822,597** | 95,565 | **5,317,168** | 132,929 |
| **USES** | | | | | | | | | | |
| Acquisition Costs | - | - | - | - | - | - | 1,200,000 | 30,000 | 1,200,000 | 30,000 |
| Construction Costs | - | - | 3,002,541 | 75,064 | 2,979,666 | 74,492 | 3,012,686 | 75,317 | 3,012,686 | 75,317 |
| Soft Costs - Design & Construction | - | - | 332,500 | 8,312 | 325,365 | 8,134 | 333,198 | 8,330 | 333,198 | 8,330 |
| Soft Costs - Due Diligence | - | - | 13,103 | 328 | 22,576 | 564 | 26,055 | 651 | 26,055 | 651 |
| Soft Costs - Transaction Costs | - | - | 39,323 | 983 | 119,323 | 2,983 | 253,068 | 6,327 | 253,068 | 6,327 |
| Soft Costs - Financing | - | - | 91,213 | 2,280 | 287,106 | 7,178 | 325,159 | 8,129 | 322,359 | 8,059 |
| Soft Costs - Other | - | - | 23,000 | 575 | 26,000 | 650 | 26,000 | 650 | 26,000 | 650 |
| Soft Cost Contingency | - | - | 24,957 | 624 | 39,019 | 975 | 43,291 | 1,082 | 42,457 | 1,061 |
| Reserves | - | - | - | - | 43,156 | 1,079 | 139,017 | 3,475 | 139,262 | 3,482 |
| Developer Fee | - | - | 247,967 | 6,199 | 534,242 | 13,356 | 557,057 | 13,926 | 554,595 | 13,865 |
| **Total Uses of Funds** | **-** | - | **3,774,604** | 94,365 | **4,376,452** | 109,411 | **5,915,531** | 147,888 | **5,909,681** | 147,742 |
| **TRANSACTION SURPLUS (GAP)** | **-** | - | **(3,625,996)** | (90,650) | **(2,985,619)** | (74,640) | **(2,092,934)** | (52,323) | **(592,513)** | (14,813) |

### Coverage of Capital Needs Analysis

| | CURRENT | | RECOVERABLE GRANT | | CHFA/FHA | | 4% LIHTC | | 9% LIHTC | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Per Unit | Total | Per Unit | Total | Per Unit | Total | Per Unit | Total | Per Unit |
| **FUNDS** | | | | | | | | | | |
| Transaction Rehab | - | - | 2,317,206 | 57,930 | 2,299,552 | 57,489 | 2,299,552 | 57,489 | 2,299,552 | 57,489 |
| Capital Needs Funded Using Subsidy | 1,474,133 | 36,853 | - | - | - | - | - | - | - | - |
| Existing Replacement Reserve Balance | 121,373 | 3,034 | 121,373 | 3,034 | 121,373 | 3,034 | 121,373 | 3,034 | 121,373 | 3,034 |
| Replacement Reserves | 604,320 | 15,108 | 391,898 | 9,797 | 387,397 | 9,685 | 387,397 | 9,685 | 387,397 | 9,685 |
| **Total Funds** | **2,199,826** | **54,996** | **2,830,478** | **70,762** | **2,808,323** | **70,208** | **2,808,323** | **70,208** | **2,808,323** | **70,208** |
| **USES** | | | | | | | | | | |
| Estimated Capital Needs | 2,199,826 | 54,996 | 2,199,826 | 54,996 | 2,199,826 | 54,996 | 2,199,826 | 54,996 | 2,199,826 | 54,996 |
| Enhancements | - | - | - | - | - | - | - | - | - | - |
| **Total Uses** | **2,199,826** | **54,996** | **2,199,826** | **54,996** | **2,199,826** | **54,996** | **2,199,826** | **54,996** | **2,199,826** | **54,996** |
| **YEAR 20 REPLACEMENT RESERVE BALANCE** | **-** | **-** | **630,652** | **15,766** | **608,497** | **15,212** | **608,497** | **15,212** | **608,497** | **15,212** |

### Subsidy Analysis

| | CURRENT | | RECOVERABLE GRANT | | CHFA/FHA | | 4% LIHTC | | 9% LIHTC | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Per Unit | Total | Per Unit | Total | Per Unit | Total | Per Unit | Total | Per Unit |
| **OPERATING SUBSIDY** | | | | | | | | | | |
| Base Rent Operating Subsidy Needed | n/a | n/a | 332,760 | 8,319 | 332,760 | 8,319 | 332,760 | 8,319 | 332,760 | 8,319 |
| Operating Deficit Subsidy Needed | 30,201 | 755 | - | - | 0 | - | 0 | - | 0 | - |
| Income Mixing Operating Subsidy Needed | n/a | n/a | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| **Total Operating Subsidy** | **30,201** | **755** | **332,760** | **8,319** | **332,760** | **8,319** | **332,760** | **8,319** | **332,760** | **8,319** |
| **CAPITAL SUBSIDY** | | | | | | | | | | |
| Pre-Transaction Capital Subsidy Needed | 1,474,133 | 36,853 | - | - | - | - | - | - | - | - |
| Recoverable Cash Flow | n/a | n/a | (719,899) | (17,997) | (243,386) | (6,085) | (190,414) | (4,760) | (221,973) | (5,549) |
| Transaction Capital Subsidy Needed | n/a | n/a | 3,625,996 | 90,650 | 2,985,619 | 74,640 | 2,092,934 | 52,323 | 592,513 | 14,813 |
| **Total Capital Subsidy** | **1,474,133** | **36,853** | **2,906,098** | **72,652** | **2,742,233** | **68,556** | **1,902,519** | **47,563** | **370,541** | **9,264** |
| **TOTAL SUBSIDY NEEDED** | **1,504,334** | **37,608** | **3,238,857** | **80,971** | **3,074,992** | **76,875** | **2,235,279** | **55,882** | **703,300** | **17,583** |

## Owner Comments

**Birchwood Terrace**
**KILLINGLY, CT**
85087D

In reference to the **Capital Needs Assessment & Replacement Reserve Analysis**, a slight reduction in the cost of replacements has been realized within the last few months as follows:

1. The Recyclable Shed was completely refurbished in Sept., 2013
2. The exterior pole lights throughout the complex have been replaced in June, 2013 through an “energy efficient” program administered by ACCESS Agency and Northeast Utilities.
3. The exterior wall-mounted lights at each apartment door (front & back) have also been replaced though the same “energy efficient” program in June, 2013.

RECAP Response: The comment period for issues related to the CNAs occurred when the draft CNAs were distributed to the person designated by the owner to review the CNA several months ago, so we are not able to revise CNAs at this time. However, given that the CNA impacts the property anaysis, Recap has included the owner comments regarding the CNA to the property assessment so their concerns will be noted.

Regarding the **Capital Plan Property Assessment**, I must stress that the report is not written for the majority of Executive Directors of smaller housing authorities to understand and is “over my head”.

I am extremely frustrated by the recommendations regarding the suggestion of drastic rent increases and the establishment of a RAP contract. We already have a RAP contract and the State has not been able to increase the subsidy lately due to a lack of funding. Increasing the rents as suggested would eliminate close to 25% of my waiting list from being eligible to rent as they could not demonstrate the ability to pay and RAP funding would not be available to them.

I have been informed that with the use of tax credits, RAP funding would no longer be made available to our residents and in addition, the recertification process is a nightmare requiring all third party verification. Killingly Housing is a one person operation for 120 apartments which would create a hardship. Danielson, CT is a low income and high unemployment area. It has been classified as a distressed community. Fair Market rent for a one bedroom apartment is $700 in Windham County. The recommendation to increase rents to $466 per month is unreasonable for this area.

RECAP Response: Recap acknowledges property recapitalizations may be complex for and new to many property owners. We have tried to explain some of the concepts in the guidance documents and owner webinars. In additional, the Capital Plan Final Report has made recommendations for technical assistance for owners as necessary. With respect to the concerns regarding RAP, Recap has also put forth recommendations to address RAP funding issues in the Capital Plan Final Report. Generally speaking, Recap encourages property owners to develop their own recapitalization solutions that work for their specific situation, with the Capital Plan Property Assessment to be used as a starting point for discussions internally and with the State.