CHFA Capital Plan Property Assessment - 95 Vine Street

Property Identification

95 Vine Street
HARTFORD, CT

Total Current Unit Count:	31
Census Tract:	5014.00
Connecticut Congressional District:	1

CHFA Property Identification #: 85077D
Current State Sponsored Housing Program: SH Moderate Rental Section 8

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

Tenancy Type:	Family
Structure Type:	Low rise (1-4 floors)
Number of buildings:	1
Maximum # of Stories:	4
Elevator?	None

Summary property description:
The 95 Vine Street property has 14 two-bedroom and 17 three-bedroom units. Generally, the property consists of relatively spacious units. It features amenities such as common laundry, as well as in-unit refrigerators and stoves.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 1,581,700
Capital Needs per Unit:	$ 51,023
Projected Year 1 (2014) Operating Income:	$ 45,286

Current operations at the property are projected to generate roughly $45,300 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 2032. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately $1.58 million ($51,022 per unit) over the next 20 years.

Current average income relative to the Area Median Income (AMI): 14%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:		
Two-bedroom unit:	910	47%
Three-bedroom unit:	986	44%
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:		
Two-bedroom unit:	910	47%
Three-bedroom unit:	986	44%
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

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

Rental operating subsidy necessary in 2014 to generate revenue equal to raising the base rent as proposed: n/a

Additional rental assistance payments subsidy over a 20 year period due to revised base rent: n/a

The Capital Plan is recommending that the property continue operating as it is currently structured, without a consolidated recapitalization transaction. Consequently, the Capital Plan does not recommend a specific revenue adjustment. The owner should note, however, that the rental income is not projected to meet the property's expenses over the next 20 years and may struggle to cover future capital needs. The owner may want to consider an adjustment in the property's base rent in order to avoid future budget problems.

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	27	27
25-50% of AMI	4	4
50% of AMI or greater	0	0
Total number of units	31	31

Since the Capital Plan is recommending that the property continue operating as it is currently structured, without a consolidated recapitalization transaction, the analysis does not assume any changes to the property's income mix.

	Pre-Trans. Base Rent	Post-Trans. Base Rent
Studio/efficiency unit:		
One-bedroom unit:		
Two-bedroom unit:	910	910
Three-bedroom unit:	986	986
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: n/a

Additional rental operating subsidy necessary to sustain Rental Assistance Payments based on the adjusted base rent: n/a

Property used for market reference: 95 Vine Street

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(1,113,079)	(1,117,017)
Recoverable Grant Scenario:	(2,814,182)	(4,671,073)
CHFA/FHA Scenario:	(2,683,523)	(4,881,221)
4% LIHTC Scenario:	(1,872,131)	(4,069,659)
9% LIHTC Scenario:	(257,209)	(2,445,722)

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 gehe 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 re 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 bee for all properties.

Recommended Transaction and Transaction Assumptions	95 Vine Street, continued

Recommended Transaction Option:	Current
Recommended Transaction Year	n/a
Replacement Reserve Deposit PUPY:	-
Debt Service Coverage in Transaction Year:	-
Debt Service Coverage in Transaction Year 15:	-
Pre-Transaction Capital Subsidy Needed:	1,113,079
Transaction Capital Subsidy Needed:	-

The Capital Plan is recommending that the property continue operating as it is currently structured (i.e., the current scenario described above), as this approach requires the least amount of subsidy from the State over time as compared to the other capital leverage transactions. In the absence of a consolidated recapitalization transaction, however, the property will need additional resources on a continuing basis.

The Capital Plan recommends that the property receive annual grants as needed to cover the gap between the property's capital need budget and the property's ability to pay those costs. These grants, identified as "Pre-Transaction Subsidy" (since no consolidated transaction is proposed), would total $1,113,079 over the course of the next 20 years.

At this time, the "Current Scenario" is the only approach which reasonably covers the property’s capital needs given the low rental revenue of the property and the current programmatic assumptions. However, it is neither a sustainable nor an efficient strategy as it requires the State to have a much more active role in supervising both capital and operating budgets. This level of oversight would correspond to a higher degree of accountability by the owner to the State.

The "Current Scenario" would also require the property to self-manage improvements as they become necessary - the budget does not anticipate the availability of a general contractor. In other words, the property management staff would bring in the specific tradespeople as necessary to repair or replace the components as they fail. Since this is consistent with current property management practices, this burden should be manageable for the owner.

Summary of Recommended Transaction

This property has a stable operating income and expense foundation and needs little or no additional operating support. Under the Current scenario, the property yields $45,285 in NOI in the current year, which includes $0 per unit per year in replacement reserve deposits, trending to $11,426 fifteen years thereafter. The transaction results in a capital subsidy need of $1,113,000 and $3,000 in operating deficit subsidy, all of which would need to be covered by State capital subsidy. Given that the "Current Scenario" assumes a heavy dependence on state subsidy on an ongoing annual basis, any cash flow should presumably be escrowed to offset future subsidy need or to repay the state for prior subsidy payments.

Summary of Capital Needs & State Subsidy Needs — 95 Vine Street, continued

Immediate Emergency Capital Needs:	0
Current Deferred Capital Needs:	16,725
Current Routine Capital Needs:	169,250

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	**185,975**	185,975	-	-	-	-
2014	**79,559**	34,274	-	-	-	-
2015	**20,686**	-	-	-	-	-
2016	**21,307**	-	-	-	-	-
2017	**99,743**	15,893	-	-	-	-
2018	**50,775**	12,536	-	-	-	-
2019	**41,346**	5,160	-	-	-	-
2020	**46,810**	12,801	-	-	-	-
2021	**52,537**	20,836	-	-	-	-
2022	**198,412**	169,155	-	-	-	-

		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	**60,989**	34,317	-	-	-	-
2024	**60,016**	36,076	-	-	-	-
2025	**27,801**	6,745	-	-	-	-
2026	**38,621**	20,608	-	-	-	-
2027	**51,983**	37,178	-	-	-	-
2028	**96,369**	84,943	-	-	-	-
2029	**97,974**	90,105	-	-	-	-
2030	**68,341**	64,213	-	-	-	-
2031	**154,090**	153,895	-	-	-	-
2032	**128,369**	128,369	-	3,938	-	-

Scenario Pro Formas

95 Vine Street, continued

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	440,184	14,199.50	455,447	14,691.82	455,447	14,692	455,447	14,692	455,447	14,692
Vacancy/Loss	(22,504)	(725.93)	(33,274)	(1,073.36)	(33,274)	(1,073)	(33,274)	(1,073)	(33,274)	(1,073)
Other Income	3,221	103.91	3,221	103.91	3,221	104	3,221	104	3,221	104
Effective Gross Income	**420,902**	**13,577.48**	**425,394**	**13,722.38**	**425,394**	**13,722**	**425,394**	**13,722**	**425,394**	**13,722**
2023 ANNUAL EXPENSES										
Operating Expenses	394,230	12,717	347,797	11,219	340,706	10,991	340,706	10,991	340,706	10,991
Replacement Reserve Deposits	-	-	-	-	18,752	605	18,752	605	15,443	498
Total Operating Expenses	**394,230**	**12,717**	**347,797**	**11,219**	**359,458**	**11,595**	**359,458**	**11,595**	**356,149**	**11,489**
2023 NET OPERATING INCOME	**26,672**	**860**	**77,596**	**2,503**	**65,935**	**2,127**	**65,935**	**2,127**	**69,245**	**2,234**
Debt Service	-	-	-	-	24,594	793	24,568	793	29,316	946
2023 CASH FLOW	**26,672**	**860**	**77,596**	**2,503**	**41,341**	**1,334**	**41,367**	**1,334**	**39,928**	**1,288**

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	-	-	-	-	427,971	13,806	323,383	10,432	510,144	16,456
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	930,000	30,000	934,459	30,144
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	78,010	2,516	91,185	2,941	91,185	2,941	88,860	2,866
Cash Escrows	-	-	-	-	19,002	613	19,002	613	14,259	460
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	165,798	5,348	173,431	5,595	172,640	5,569
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,282,759	41,379	2,717,645	87,666
Other	-		-		-		-		-	
Total Sources of Funds	**-**	**-**	**78,010**	2,516	**703,956**	22,708	**2,819,760**	90,960	**4,438,007**	143,162
USES										
Acquisition Costs	-	-	-	-	-	-	930,000	30,000	934,459	30,144
Construction Costs	-	-	2,233,111	72,036	2,233,111	72,036	2,257,858	72,834	2,257,858	72,834
Soft Costs - Design & Construction	-	-	250,497	8,081	246,977	7,967	252,847	8,156	252,847	8,156
Soft Costs - Due Diligence	-	-	11,730	378	20,780	670	23,475	757	23,481	757
Soft Costs - Transaction Costs	-	-	98,510	3,178	178,510	5,758	305,053	9,840	305,053	9,840
Soft Costs - Financing	-	-	68,185	2,200	213,966	6,902	243,562	7,857	243,992	7,871
Soft Costs - Other	-	-	17,825	575	20,150	650	20,150	650	20,150	650
Soft Cost Contingency	-	-	22,337	721	34,019	1,097	37,887	1,222	37,218	1,201
Reserves	-	-	-	-	25,472	822	187,481	6,048	188,559	6,083
Developer Fee	-	-	189,998	6,129	414,494	13,371	433,578	13,986	431,600	13,923
Total Uses of Funds	**-**	**-**	**2,892,192**	93,297	**3,387,479**	109,274	**4,691,891**	151,351	**4,695,215**	151,459
TRANSACTION SURPLUS (GAP)	**-**	**-**	**(2,814,182)**	(90,780)	**(2,683,523)**	(86,565)	**(1,872,131)**	(60,391)	**(257,209)**	(8,297)

Scenario Pro Formas (continued)

95 Vine Street, continued

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	-	-	1,723,399	55,594	1,723,399	55,594	1,723,399	55,594	1,723,399	55,594
Capital Needs Funded Using Subsidy	1,113,079	35,906	14,892	480	7,017	226	7,017	226	7,017	226
Existing Replacement Reserve Balance	-	-	-	-	-	-	-	-	-	-
Replacement Reserves	468,621	15,117	-	-	364,568	11,760	364,568	11,760	300,233	9,685
Total Funds	**1,581,700**	**51,023**	**1,738,291**	**56,074**	**2,094,984**	**67,580**	**2,094,984**	**67,580**	**2,030,649**	**65,505**
USES										
Estimated Capital Needs	1,581,700	51,023	1,581,700	51,023	1,581,700	51,023	1,581,700	51,023	1,581,700	51,023
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**1,581,700**	**51,023**	**1,581,700**	**51,023**	**1,581,700**	**51,023**	**1,581,700**	**51,023**	**1,581,700**	**51,023**
YEAR 20 REPLACEMENT RESERVE BALANCE	**-**	**-**	**156,591**	**5,051**	**513,284**	**16,558**	**513,284**	**16,558**	**448,948**	**14,482**

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	2,132,923	68,804	2,132,923	68,804	2,132,923	68,804	2,132,923	68,804
Operating Deficit Subsidy Needed	3,938	127	170,875	5,512	271,781	8,767	271,781	8,767	256,359	8,270
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**3,938**	**127**	**2,303,797**	**74,316**	**2,404,704**	**77,571**	**2,404,704**	**77,571**	**2,389,282**	**77,074**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	1,113,079	35,906	14,892	480	7,017	226	7,017	226	7,017	226
Recoverable Cash Flow	n/a	n/a	(461,798)	(14,897)	(214,023)	(6,904)	(214,192)	(6,909)	(207,785)	(6,703)
Transaction Capital Subsidy Needed	n/a	n/a	2,814,182	90,780	2,683,523	86,565	1,872,131	60,391	257,209	8,297
Total Capital Subsidy	**1,113,079**	**35,906**	**2,367,276**	**76,364**	**2,476,517**	**79,888**	**1,664,955**	**53,708**	**56,440**	**1,821**
TOTAL SUBSIDY NEEDED	**1,117,017**	**36,033**	**4,671,073**	**150,680**	**4,881,221**	**157,459**	**4,069,659**	**131,279**	**2,445,722**	**78,894**