CHFA Capital Plan Property Assessment - Beachport

Property Identification

Beachport
CHESHIRE, CT

Total Current Unit Count:	48
Census Tract:	3431.02
Connecticut Congressional District:	5

CHFA Property Identification #: 85015D
Current State Sponsored Housing Program: SH Elderly 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:	Elderly/Disabled
Structure Type:	Low rise (1-4 floors)
Number of buildings:	7
Maximum # of Stories:	1
Elevator?	None

Summary property description:
The Beachport property has 35 efficiency or studio and 13 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as central air conditioning, private patios, and a community room.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$	1,782,795
Capital Needs per Unit:	$	37,142
Projected Year 1 (2014) Operating Income:	$	91,709

Current operations at the property are projected to generate roughly $91,700 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 yet remains positive through the time horizon studied. The property is rare in the portfolio, in that the NOI is sufficient to leverage debt financing and the property is able to adequately address its future basic capital needs, projected to be approximately $1.78 million ($37,141 per unit) over the next 20 years without dramatic changes to the property's operations.

Current average income relative to the Area Median Income (AMI): 23%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	592	41%
One-bedroom unit:	686	44%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	592	41%
One-bedroom unit:	686	44%
Two-bedroom unit:		
Three-bedroom unit:		
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 may want to consider an adjustment in the property's base rent in order to avoid future budget problems.

Revenue Adjustments Concurrent with a Recapitalization Transaction Beachport, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	48	48
25-50% of AMI	0	0
50% of AMI or greater	0	0
Total number of units	48	48

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:	592	592
One-bedroom unit:	686	686
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: 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: John P Savage

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	-	-
Recoverable Grant Scenario:	(2,872,866)	(2,453,423)
CHFA/FHA Scenario:	(2,772,401)	(1,999,226)
4% LIHTC Scenario:	(2,027,555)	(1,842,079)
9% LIHTC Scenario:	(684,398)	(472,485)

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:	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:	-
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.

At this time, 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.

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 $91,709 in NOI in the current year, which includes $0 per unit per year in replacement reserve deposits, trending to $60,102 fifteen years thereafter. The transaction results in no capital or operating subsidy need.

Summary of Capital Needs & State Subsidy Needs Beachport, continued

Immediate Emergency Capital Needs: 0
Current Deferred Capital Needs: 0
Current Routine Capital Needs: 236,590

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	**236,590**	-	-	-	-	-
2014	**100,645**	-	-	-	-	-
2015	**135,741**	-	-	-	-	-
2016	**93,511**	-	-	-	-	-
2017	**90,908**	-	-	-	-	-
2018	**37,945**	-	-	-	-	-
2019	**29,975**	-	-	-	-	-
2020	**28,354**	-	-	-	-	-
2021	**33,280**	-	-	-	-	-
2022	**60,003**	-	-	-	-	-

		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	**45,562**	-	-	-	-	-
2024	**137,255**	-	-	-	-	-
2025	**148,722**	-	-	-	-	-
2026	**131,602**	-	-	-	-	-
2027	**111,079**	-	-	-	-	-
2028	**103,096**	-	-	-	-	-
2029	**63,733**	-	-	-	-	-
2030	**52,018**	-	-	-	-	-
2031	**46,850**	-	-	-	-	-
2032	**95,927**	-	-	-	-	-

Scenario Pro Formas

Beachport, 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	451,058	9,397.04	451,058	9,397.04	451,058	9,397	451,058	9,397	451,058	9,397
Vacancy/Loss	(6,213)	(129.44)	(6,213)	(129.44)	(22,553)	(470)	(31,574)	(658)	(31,574)	(658)
Other Income	4,152	86.51	4,152	86.51	4,152	87	4,152	87	4,152	87
Effective Gross Income	**448,997**	**9,354.11**	**448,997**	**9,354.11**	**432,657**	**9,014**	**423,636**	**8,826**	**423,636**	**8,826**
2023 ANNUAL EXPENSES										
Operating Expenses	304,899	6,352	299,336	6,236	293,594	6,117	293,143	6,107	293,143	6,107
Replacement Reserve Deposits	68,805	1,433	68,805	1,433	23,912	498	23,912	498	23,912	498
Total Operating Expenses	**373,704**	**7,785**	**368,141**	**7,670**	**317,505**	**6,615**	**317,054**	**6,605**	**317,054**	**6,605**
2023 NET OPERATING INCOME	**75,293**	**1,569**	**80,856**	**1,685**	**115,152**	**2,399**	**106,582**	**2,220**	**106,582**	**2,220**
Debt Service	-	-	-	-	71,199	1,483	70,575	1,470	66,169	1,379
2023 CASH FLOW	**75,293**	**1,569**	**80,856**	**1,685**	**43,954**	**916**	**36,007**	**750**	**40,413**	**842**

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	-	-	-	-	1,238,951	25,811	1,083,698	22,577	1,151,429	23,988
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	828,969	17,270	828,969	17,270
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	54,564	1,137	71,364	1,487	71,364	1,487	71,364	1,487
Cash Escrows	-	-	372,380	7,758	273,920	5,707	273,920	5,707	273,920	5,707
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	191,578	3,991	199,636	4,159	198,788	4,141
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,259,408	26,238	2,531,051	52,730
Other	-		-		-		-		-	
Total Sources of Funds	**-**	**-**	**426,944**	8,895	**1,775,813**	36,996	**3,716,995**	77,437	**5,055,521**	105,323
USES										
Acquisition Costs	-	-	-	-	611,031	12,730	1,440,000	30,000	1,440,000	30,000
Construction Costs	-	-	2,576,504	53,677	2,576,504	53,677	2,605,057	54,272	2,605,057	54,272
Soft Costs - Design & Construction	-	-	287,094	5,981	283,033	5,897	289,807	6,038	289,807	6,038
Soft Costs - Due Diligence	-	-	12,992	271	23,625	492	27,054	564	27,054	564
Soft Costs - Transaction Costs	-	-	75,064	1,564	155,064	3,230	284,919	5,936	284,919	5,936
Soft Costs - Financing	-	-	79,660	1,660	296,919	6,186	325,182	6,775	323,090	6,731
Soft Costs - Other	-	-	27,600	575	31,200	650	31,200	650	31,200	650
Soft Cost Contingency	-	-	24,120	503	39,492	823	43,247	901	42,530	886
Reserves	-	-	-	-	52,399	1,092	198,996	4,146	199,292	4,152
Developer Fee	-	-	216,776	4,516	478,946	9,978	499,089	10,398	496,970	10,354
Total Uses of Funds	**-**	**-**	**3,299,810**	68,746	**4,548,213**	94,754	**5,744,550**	119,678	**5,739,918**	119,582
TRANSACTION SURPLUS (GAP)	**-**	**-**	**(2,872,866)**	(59,851)	**(2,772,401)**	(57,758)	**(2,027,555)**	(42,241)	**(684,398)**	(14,258)

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	-	-	1,988,413	41,425	1,988,413	41,425	1,988,413	41,425	1,988,413	41,425
Capital Needs Funded Using Subsidy	-	-	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	240,939	5,020	240,939	5,020	240,939	5,020	240,939	5,020	240,939	5,020
Replacement Reserves	2,715,787	56,579	1,337,675	27,868	464,877	9,685	464,877	9,685	464,877	9,685
Total Funds	**2,956,726**	**61,598**	**3,567,027**	**74,313**	**2,694,228**	**56,130**	**2,694,228**	**56,130**	**2,694,228**	**56,130**
USES										
Estimated Capital Needs	1,782,795	37,142	1,782,795	37,142	1,782,795	37,142	1,782,795	37,142	1,782,795	37,142
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**1,782,795**	**37,142**	**1,782,795**	**37,142**	**1,782,795**	**37,142**	**1,782,795**	**37,142**	**1,782,795**	**37,142**
YEAR 20 REPLACEMENT RESERVE BALANCE	**1,173,932**	**24,457**	**1,784,232**	**37,171**	**911,434**	**18,988**	**911,434**	**18,988**	**911,434**	**18,988**

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	-	-	0	-	0	-	0	-
Operating Deficit Subsidy Needed	0	-	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	0	-	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(419,443)	(8,738)	(773,175)	(16,108)	(185,476)	(3,864)	(211,913)	(4,415)
Transaction Capital Subsidy Needed	n/a	n/a	2,872,866	59,851	2,772,401	57,758	2,027,555	42,241	684,398	14,258
Total Capital Subsidy	**-**	**-**	**2,453,423**	**51,113**	**1,999,226**	**41,651**	**1,842,079**	**38,377**	**472,485**	**9,843**
TOTAL SUBSIDY NEEDED	**-**	**-**	**2,453,423**	**51,113**	**1,999,226**	**41,651**	**1,842,079**	**38,377**	**472,485**	**9,843**