CHFA Capital Plan Property Assessment - Lawnhill Terrace

Property Identification

Lawnhill Terrace
STAMFORD, CT

Total Current Unit Count:	206
Census Tract:	218.02
Connecticut Congressional District:	4

<u>CHFA Property Identification #:</u> 85179D
<u>Current State Sponsored Housing Program:</u> SH Moderate Rental

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:	Garden/Townhouse
Number of buildings:	30
Maximum # of Stories:	2
Elevator?	None

<u>Summary property description:</u>
The Lawnhill Terrace property has 103 two-bedroom and 103 three-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as in-unit laundry hook-ups, semi-private outdoor space, and a community room.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 16,383,029
Capital Needs per Unit:	$ 79,529
Projected Year 1 (2014) Operating Income:	$ 1,633,522

Current operations at the property are projected to generate roughly $1,633,500 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 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 $16.38 million ($79,529 per unit) over the next 20 years without dramatic changes to the property's operations.

Owner Comments to Property Assessment:

Please see Page 9 for Owner Comments

Current average income relative to the Area Median Income (AMI): 24%

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:		
Two-bedroom unit:	825	30%
Three-bedroom unit:	885	28%
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:		
Two-bedroom unit:	824	30%
Three-bedroom unit:	952	30%
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: 168

Protecting the 168 Family 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 $75,743 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: $ 75,744

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 $442,615.

Total rental operating subsidy necessary assuming a turnover-based leasing strategy: $ 442,615

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	168	168
25-50% of AMI	36	36
50% of AMI or greater	2	2
Total number of units	206	206

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.

	Pre-Trans. Base Rent	Post-Trans. Base Rent
Studio/efficiency unit:		
One-bedroom unit:		
Two-bedroom unit:	824	824
Three-bedroom unit:	952	952
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: Oak Park Apartments

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(9,967,311)	(9,967,311)
Recoverable Grant Scenario:	(25,208,670)	(8,426,465)
CHFA/FHA Scenario:	(12,893,167)	(5,976,827)
4% LIHTC Scenario:	(734,699)	-
9% LIHTC Scenario:	10,976,577	-

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	2015
Replacement Reserve Deposit PUPY:	425
Debt Service Coverage in Transaction Year:	1.200
Debt Service Coverage in Transaction Year 15:	1.803
Pre-Transaction Capital Subsidy Needed:	-
Transaction Capital Subsidy Needed:	734,699

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 2015 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 $425 per unit per year, assuming debt service coverage is maintained over 1.803 throughout the first 15 years of the new financing, and assuming hard construction capital needs of $16.38 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 $1,563,469 in NOI in the transaction completion year, which includes $425 per unit per year in replacement reserve deposits. After debt service, the property generates $494,148 in cash flow in the capital transaction's completion year, trending to $858,648 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 $17,589,000 in debt and $13,344,000 in equity. The transaction results in a gap of $734,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over $9,967,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over $25,208,000 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:	0
Current Routine Capital Needs:	4,271,208

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.

As mentioned above, this property also had a Revitalization CNA that reflects a series of assumptions that were different from the CNA scope under the remaining scenarios. For the purposes of this analysis, we used the non-Revitalization CNA.

		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	**4,271,208**	-	-	-	-	-
2014	**4,388,857**	-	-	-	75,744	-
2015	**4,520,528**	-	734,699	-	69,533	-
2016	**112,069**	-	-	-	63,043	(0)
2017	**164,326**	-	-	-	56,266	(0)
2018	**136,485**	-	-	-	49,193	-
2019	**134,610**	-	-	-	41,814	-
2020	**139,493**	-	-	-	34,120	-
2021	**144,518**	-	-	-	26,102	-
2022	**222,732**	-	-	-	17,749	-

		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	**238,707**	-	-	-	9,052	-
2024	**242,036**	-	-	-	-	-
2025	**227,281**	-	-	-	-	-
2026	**169,225**	-	-	-	-	-
2027	**221,711**	-	-	-	-	-
2028	**192,786**	-	-	-	-	-
2029	**190,545**	-	-	-	-	-
2030	**197,397**	-	-	-	-	-
2031	**200,179**	-	-	-	-	-
2032	**268,335**	-	-	-	-	-

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	2,725,914	13,232.59	2,904,393	14,099.00	2,904,393	14,099	2,904,393	14,099	2,904,393	14,099
Vacancy/Loss	-	-	-	-	(145,220)	(705)	(203,308)	(987)	(203,308)	(987)
Other Income	63,007	305.86	63,007	305.86	63,007	306	63,007	306	63,007	306
Effective Gross Income	**2,788,921**	**13,538.45**	**2,967,400**	**14,404.86**	**2,822,181**	**13,700**	**2,764,093**	**13,418**	**2,764,093**	**13,418**
2023 ANNUAL EXPENSES										
Operating Expenses	903,125	4,384	938,432	4,555	913,260	4,433	910,356	4,419	910,356	4,419
Replacement Reserve Deposits	-	-	-	-	124,611	605	124,611	605	102,621	498
Total Operating Expenses	**903,125**	**4,384**	**938,432**	**4,555**	**1,037,871**	**5,038**	**1,034,967**	**5,024**	**1,012,977**	**4,917**
2023 NET OPERATING INCOME	**1,885,796**	**9,154**	**2,028,968**	**9,849**	**1,784,309**	**8,662**	**1,729,126**	**8,394**	**1,751,116**	**8,501**
Debt Service	40,188	195	40,188	195	983,963	4,777	1,069,321	5,191	964,834	4,684
2023 CASH FLOW	**1,845,608**	**8,959**	**1,988,780**	**9,654**	**800,346**	**3,885**	**659,805**	**3,203**	**786,282**	**3,817**

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	-	-	-	-	17,122,297	83,118	17,589,035	85,384	16,789,418	81,502
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	17,604,719	85,460	17,813,603	86,474
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	34,754	169	122,304	594	122,304	594	106,854	519
Cash Escrows	-	-	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	1,432,716	6,955	1,485,470	7,211	1,475,782	7,164
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	13,344,170	64,778	25,729,577	124,901
Other	-		-		-		-		-	
Total Sources of Funds	-	-	**34,754**	169	**18,677,318**	90,667	**50,145,699**	243,426	**61,915,234**	300,559
USES										
Acquisition Costs	-	-	-	-	1,938,654	9,411	19,543,373	94,871	19,752,257	95,885
Construction Costs	-	-	20,621,380	100,104	20,621,380	100,104	20,849,902	101,213	20,849,902	101,213
Soft Costs - Design & Construction	-	-	2,000,928	9,713	1,968,424	9,555	2,019,210	9,802	2,019,210	9,802
Soft Costs - Due Diligence	-	-	42,546	207	62,672	304	94,372	458	94,623	459
Soft Costs - Transaction Costs	-	-	55,254	268	135,254	657	439,186	2,132	439,186	2,132
Soft Costs - Financing	-	-	605,409	2,939	2,317,968	11,252	2,793,557	13,561	2,748,652	13,343
Soft Costs - Other	-	-	118,450	575	133,900	650	133,900	650	133,900	650
Soft Cost Contingency	-	-	141,129	685	230,911	1,121	252,094	1,224	243,893	1,184
Reserves	-	-	-	-	579,532	2,813	1,041,130	5,054	967,581	4,697
Developer Fee	-	-	1,658,327	8,050	3,581,790	17,387	3,713,674	18,028	3,689,454	17,910
Total Uses of Funds	-	-	**25,243,424**	122,541	**31,570,485**	153,255	**50,880,398**	246,992	**50,938,657**	247,275
TRANSACTION SURPLUS (GAP)	-	-	**(25,208,670)**	(122,372)	**(12,893,167)**	(62,588)	**(734,699)**	(3,566)	**10,976,577**	53,284

Scenario Pro Formas (continued)

Lawnhill Terrace, 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	-	-	15,914,515	77,255	15,914,515	77,255	15,914,515	77,255	15,914,515	77,255
Capital Needs Funded Using Subsidy	9,967,311	48,385	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	-	-	-	-	-	-	-	-	-	-
Replacement Reserves	35,168,621	170,721	-	-	2,422,616	11,760	2,422,616	11,760	1,995,096	9,685
Total Funds	**45,135,932**	**219,106**	**15,914,515**	**77,255**	**18,337,131**	**89,015**	**18,337,131**	**89,015**	**17,909,610**	**86,940**
USES										
Estimated Capital Needs	16,383,029	79,529	16,383,029	79,529	16,383,029	79,529	16,383,029	79,529	16,383,029	79,529
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**16,383,029**	**79,529**	**16,383,029**	**79,529**	**16,383,029**	**79,529**	**16,383,029**	**79,529**	**16,383,029**	**79,529**
YEAR 20 REPLACEMENT RESERVE BALANCE	**28,752,903**	**139,577**	**(468,514)**	**(2,274)**	**1,954,102**	**9,486**	**1,954,102**	**9,486**	**1,526,582**	**7,411**

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	442,615	2,149	442,615	2,149	442,615	2,149	442,615	2,149
Operating Deficit Subsidy Needed	0	-	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total Operating Subsidy	**-**	**-**	**442,615**	**2,149**	**442,615**	**2,149**	**442,615**	**2,149**	**442,615**	**2,149**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	9,967,311	48,385	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(17,224,821)	(83,616)	(7,358,956)	(35,723)	(1,177,314)	(5,715)	(442,615)	(2,149)
Transaction Capital Subsidy Needed	n/a	n/a	25,208,670	122,372	12,893,167	62,588	734,699	3,566	-	-
Total Capital Subsidy	**9,967,311**	**48,385**	**7,983,849**	**38,757**	**5,534,211**	**26,865**	**(442,615)**	**(2,149)**	**(442,615)**	**(2,149)**
TOTAL SUBSIDY NEEDED	**9,967,311**	**48,385**	**8,426,465**	**40,905**	**5,976,827**	**29,014**	**-**	**-**	**-**	**-**

Owner Comments

Two Assessments Were Prepared

As noted during the most recent webinar, OSI prepared two assessments for Lawnhill Terrace. The first (labeled as “Final Report” on the OSI website) reflects a need for significant investment, although not enough, in our opinion, to make Lawnhill Terrace economically viable. The second assessment (labeled “Revitalization Report” on the OSI website) was developed in consultation with our architect and cost estimator, and assumes a more comprehensive scope of rehabilitation. We believe that the scope of work contained in the Revitalization Report more accurately represents the level of effort required to enable Lawnhill Terrace to attract tenants at the higher end of the income-eligible range. We were surprised that Recap Advisors used only the first assessment report in proposing sources and uses to fund the work. We request that Recap Advisors utilize the second, more comprehensive, report to prepare revised sources and uses and financial projections.

Key Differences in Approach

The scope of work contained in the Revitalization Report includes several major items not addressed in the Final Report:

- Increased energy efficiency through replacement of the existing heating system and installation of additional insulation and other measures to tighten building envelopes
- Use of individual Energy Star rated heating systems in each unit in place of common utilities. Tenants would be responsible for utility costs (and receive a utility allowance), resulting in better tenant engagement in energy use and cost management
- Security-related improvements essential to enhancing marketability and enhancing resident well being and quality of life
- Use of high quality materials, appliances, and finishes to reduce ongoing maintenance costs and facilitate market acceptance among prospective tenants with a wider range of incomes

Other key aspects in which the Revitalization Report differs from the Final Report:

- Regional cost factors are more accurately reflected. The Means book does not capture the significant cost premium for work in Fairfield County. This is reflected in the prevailing wages required in Fairfield County as opposed to other areas of the State. We have found many trades at close to double the hourly rate for Stamford when compared with Hartford
- The Final Report allows no cost for a general contractor or an architect/engineering team. This is unrealistic given the base cost of $13 million and the indication that most of the work should be performed soon, especially in an occupied development where extensive coordination is required. Omission of services that are clearly needed makes the cost difference between the Final Report and Revitalization Report appear larger than they really are

Financial Issues

At the present time, 80% of Lawnhill Terrace residents pay the base rent, and many of these pay in excess of 30% of household income. The Final Report acknowledges the very low incomes of the current population and suggests that a significant annual operating subsidy is required. COC believes it is much more efficient and forward thinking to enlarge the scope of rehab and improve the marketability of Lawnhill Terrace, leading to increased rental revenue. Our projections show no need for an operating subsidy following the implementation of the scope of work contained in the Revitalization Report.

We are attaching financial projections for our 9% LIHTC application, to be submitted in November. Please note that in addition to including no operating subsidy, we also do not assume continued payment by the State of the PILOT now made annually on behalf of Lawnhill Terrace.

The professional cost estimator retained by COC estimated a total cost of $35 million for the more comprehensive scope of work contained in the Revitalization Report, including escalation for phasing over time, contingency, etc. Bob Labadini estimated a cost of $38 million for the same scope of work. We note this to indicate that our cost projections are not artificially inflated or padded. Given the demand for 9% LIHTC, we propose to implement the Lawnhill Terrace rehab in phases, with each of the first two phases containing sixty units. The attached financial projections represent Phase I.

Existing Debt

As part of the recent restructuring of the existing mortgage debt, CHFA and COC executed a written agreement in which CHFA acknowledged that COC was likely to request forgiveness of all or a portion of the outstanding debt in order to facilitate comprehensive rehab. While CHFA made no commitment to forgive the debt, CHFA agreed that waiving or reducing the debt could be a reasonable approach. Our projections contain no repayment of existing debt, in order to devote financial resources to the rehab effort.

Summary

We urge Recap Advisors to create new financial projections for the rehab of Lawnhill Terrace based on the Revitalization Report, including the use of 9% LIHTC as a funding source. As our projections indicate, we propose to carry the maximum permanent debt the development can support. The more comprehensive scope of work is necessary to ensure the sustainability of Lawnhill Terrace, and the assumptions used reflect the regional cost differences applicable to construction work in Stamford.

RECAP Response: For the purposes of consistency amongst all the properties in the Capital Plan analysis, this Property Assessment utilized the non-revitalization plan CNA, with a total capital needs of $16,383,029.