

# CHFA Capital Plan Property Assessment - Westview Apts.

## Property Identification

Westview Apts.  
VERNON, CT

CHFA Property Identification #: 93059D

Current State Sponsored Housing Program: 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.

Total Current Unit Count: 50

Census Tract: -

Connecticut Congressional District: 2

## Property Description

Tenancy Type: Family

Structure Type: Unknown

Number of buildings: -

Maximum # of Stories: -

Elevator? None

### Summary property description:

The Westview Apts. property has 10 one-bedroom, 35 two-bedroom and 5 three-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as common laundry, owner-provided air conditioning, and a playground.

## Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 2,985,542

Capital Needs per Unit: \$ 59,711

Projected Year 1 (2014) Operating Income: \$ 149,381

Current operations at the property are projected to generate roughly \$149,400 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. However, the property cannot leverage debt financing or adequately address its future basic capital needs, projected to be approximately \$2.99 million (\$59,710 per unit) over the next 20 years.

**Revenue Adjustments Prior to a Recapitalization Transaction**

Westview Apts., continued

Current average income relative to  
the Area Median Income (AMI): 35%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	665	41%
Two-bedroom unit:	865	45%
Three-bedroom unit:	1,015	46%
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	665	41%
Two-bedroom unit:	865	45%
Three-bedroom unit:	1,015	46%
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

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.

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

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Westview Apts., continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	49	49
25-50% of AMI	0	0
50% of AMI or greater	1	1
Total number of units	50	50

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:	665	665
Two-bedroom unit:	865	865
Three-bedroom unit:	1,015	1,015
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: Grove Court

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(656,249)	(656,249)
Recoverable Grant Scenario:	(3,761,937)	(2,676,194)
CHFA/FHA Scenario:	(2,808,241)	(2,623,022)
4% LIHTC Scenario:	(2,051,096)	(1,773,604)
9% LIHTC Scenario:	(225,831)	-

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**

Westview Apts., continued

Recommended Transaction Option:	Current	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.
Recommended Transaction Year	n/a	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 \$656,249 over the course of the next 20 years.
Replacement Reserve Deposit PUPY:	-	
Debt Service Coverage in Transaction Year:	-	
Debt Service Coverage in Transaction Year 15:	-	At this time, the "Current Scenario" is the only approach which reasonably covers the property's capital needs given the low rental revenue 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.
Pre-Transaction Capital Subsidy Needed:	656,249	
Transaction Capital Subsidy 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 \$149,381 in NOI in the current year, which includes \$0 per unit per year in replacement reserve deposits, trending to \$131,849 fifteen years thereafter. The transaction results in a capital subsidy need of \$656,000, 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 and CHFA Subsidy Required**

Westview Apts., continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 91,300  
 Current Routine Capital Needs: 771,970

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.

Year	Annual Capital Needs (per OSI CNA)	Capital Subsidy		Operating Subsidy		
		Pre-Transaction Capital Subsidy Needs	Transaction Capital Subsidy Needs	Operating Deficit Subsidy Needs	Base Rent Operating Subsidy Needs	Income Mixing Operating Subsidy Needs
2013	863,270	530,165	-	-	-	-
2014	125,957	-	-	-	-	-
2015	52,767	-	-	-	-	-
2016	282,540	14,404	-	-	-	-
2017	218,799	70,925	-	-	-	-
2018	187,894	40,755	-	-	-	-
2019	-	-	-	-	-	-
2020	488	-	-	-	-	-
2021	96,569	-	-	-	-	-
2022	-	-	-	-	-	-

Year	Annual Capital Needs (per OSI CNA)	Capital Subsidy		Operating Subsidy		
		Pre-Transaction Capital Subsidy Needs	Transaction Capital Subsidy Needs	Operating Deficit Subsidy Needs	Base Rent Operating Subsidy Needs	Income Mixing Operating Subsidy Needs
2023	261,695	-	-	-	-	-
2024	-	-	-	-	-	-
2025	49,654	-	-	-	-	-
2026	13,534	-	-	-	-	-
2027	-	-	-	-	-	-
2028	200,139	-	-	-	-	-
2029	56,804	-	-	-	-	-
2030	111,107	-	-	-	-	-
2031	-	-	-	-	-	-
2032	464,325	-	-	-	-	-

**Scenario Pro Formas**

Westview Apts., continued

**Income and Expense 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
<b>2023 ANNUAL INCOME</b>										
Gross Potential Rent	627,108	12,542.17	629,018	12,580.36	629,018	12,580	629,018	12,580	629,018	12,580
Vacancy/Loss	(27,107)	(542.14)	(27,107)	(542.14)	(31,451)	(629)	(44,031)	(881)	(44,031)	(881)
Other Income	12,204	244.08	12,204	244.08	12,204	244	12,204	244	12,204	244
<b>Effective Gross Income</b>	<b>612,205</b>	<b>12,244.10</b>	<b>614,115</b>	<b>12,282.30</b>	<b>609,771</b>	<b>12,195</b>	<b>597,191</b>	<b>11,944</b>	<b>597,191</b>	<b>11,944</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	470,744.04	9,415	471,618	9,432	461,643	9,233	461,013	9,220	461,013	9,220
Replacement Reserve Deposits	-	-	-	-	30,245	605	30,245	605	24,908	498
<b>Total Operating Expenses</b>	<b>470,744</b>	<b>9,415</b>	<b>471,618</b>	<b>9,432</b>	<b>491,888</b>	<b>9,838</b>	<b>491,259</b>	<b>9,825</b>	<b>485,921</b>	<b>9,718</b>
<b>2023 NET OPERATING INCOME</b>	<b>141,461</b>	<b>2,829</b>	<b>142,497</b>	<b>2,850</b>	<b>117,883</b>	<b>2,358</b>	<b>105,932</b>	<b>2,119</b>	<b>111,269</b>	<b>2,225</b>
Debt Service	-	-	-	-	79,833	1,597	70,404	1,408	75,957	1,519
<b>2023 CASH FLOW</b>	<b>141,461</b>	<b>2,829</b>	<b>142,497</b>	<b>2,850</b>	<b>38,050</b>	<b>761</b>	<b>35,527</b>	<b>711</b>	<b>35,312</b>	<b>706</b>

**Sources and Uses 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
<b>SOURCES</b>										
Hard Debt										
Commercial Debt 1	-	-	-	-	1,389,204	27,784	1,080,878	21,618	1,321,752	26,435
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	1,504,303	30,086	1,555,003	31,100
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	80,810	1,616	102,060	2,041	102,060	2,041	98,310	1,966
Cash Escrows	-	-	333,105	6,662	333,105	6,662	333,105	6,662	333,105	6,662
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	237,135	4,743	246,868	4,937	246,095	4,922
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,505,420	30,108	3,093,451	61,869
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>413,915</b>	<b>8,278</b>	<b>2,061,504</b>	<b>41,230</b>	<b>4,772,633</b>	<b>95,453</b>	<b>6,647,715</b>	<b>132,954</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	1,504,303	30,086	1,555,003	31,100
Construction Costs	-	-	3,266,890	65,338	3,266,890	65,338	3,303,093	66,062	3,303,093	66,062
Soft Costs - Design & Construction	-	-	360,673	7,213	355,523	7,110	364,112	7,282	364,112	7,282
Soft Costs - Due Diligence	-	-	13,920	278	23,920	478	28,269	565	28,330	567
Soft Costs - Transaction Costs	-	-	101,310	2,026	181,310	3,626	317,825	6,357	317,825	6,357
Soft Costs - Financing	-	-	99,762	1,995	310,413	6,208	353,132	7,063	355,278	7,106
Soft Costs - Other	-	-	28,750	575	32,500	650	32,500	650	32,500	650
Soft Cost Contingency	-	-	30,221	604	45,183	904	49,600	992	48,946	979
Reserves	-	-	-	-	61,167	1,223	253,725	5,075	253,223	5,064
Developer Fee	-	-	274,326	5,487	592,838	11,857	617,171	12,343	615,237	12,305
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>4,175,852</b>	<b>83,517</b>	<b>4,869,745</b>	<b>97,395</b>	<b>6,823,730</b>	<b>136,475</b>	<b>6,873,546</b>	<b>137,471</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(3,761,937)</b>	<b>(75,239)</b>	<b>(2,808,241)</b>	<b>(56,165)</b>	<b>(2,051,096)</b>	<b>(41,022)</b>	<b>(225,831)</b>	<b>(4,517)</b>

**Scenario Pro Formas (continued)**

Westview Apts., 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
<b>FUNDS</b>										
Transaction Rehab	-	-	2,521,217	50,424	2,521,217	50,424	2,521,217	50,424	2,521,217	50,424
Capital Needs Funded Using Subsidy	656,249	13,125	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	333,105	6,662	333,105	6,662	333,105	6,662	333,105	6,662	333,105	6,662
Replacement Reserves	2,642,737	52,855	-	-	588,014	11,760	588,014	11,760	484,247	9,685
<b>Total Funds</b>	<b>3,632,092</b>	<b>72,642</b>	<b>2,854,322</b>	<b>57,086</b>	<b>3,442,335</b>	<b>68,847</b>	<b>3,442,335</b>	<b>68,847</b>	<b>3,338,568</b>	<b>66,771</b>
<b>USES</b>										
Estimated Capital Needs	2,985,542	59,711	2,985,542	59,711	2,985,542	59,711	2,985,542	59,711	2,985,542	59,711
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>2,985,542</b>	<b>59,711</b>	<b>2,985,542</b>	<b>59,711</b>	<b>2,985,542</b>	<b>59,711</b>	<b>2,985,542</b>	<b>59,711</b>	<b>2,985,542</b>	<b>59,711</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>646,550</b>	<b>12,931</b>	<b>(131,220)</b>	<b>(2,624)</b>	<b>456,794</b>	<b>9,136</b>	<b>456,794</b>	<b>9,136</b>	<b>353,027</b>	<b>7,061</b>

**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
<b>OPERATING SUBSIDY</b>										
Base Rent Operating Subsidy Needed	n/a	n/a	95,460	1,909	95,460	1,909	95,460	1,909	95,460	1,909
Operating Deficit Subsidy Needed	0	-	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
<b>Total Operating Subsidy</b>	<b>-</b>	<b>-</b>	<b>95,460</b>	<b>1,909</b>	<b>95,460</b>	<b>1,909</b>	<b>95,460</b>	<b>1,909</b>	<b>95,460</b>	<b>1,909</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	656,249	13,125	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(1,181,204)	(23,624)	(280,679)	(5,614)	(372,953)	(7,459)	(321,291)	(6,426)
Transaction Capital Subsidy Needed	n/a	n/a	3,761,937	75,239	2,808,241	56,165	2,051,096	41,022	225,831	4,517
<b>Total Capital Subsidy</b>	<b>656,249</b>	<b>13,125</b>	<b>2,580,733</b>	<b>51,615</b>	<b>2,527,562</b>	<b>50,551</b>	<b>1,678,143</b>	<b>33,563</b>	<b>(95,460)</b>	<b>(1,909)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>656,249</b>	<b>13,125</b>	<b>2,676,194</b>	<b>53,524</b>	<b>2,623,022</b>	<b>52,460</b>	<b>1,773,604</b>	<b>35,472</b>	<b>-</b>	<b>-</b>