CHFA Capital Plan Property Assessment - Mountain Laurel Manor

Property Identification

Mountain Laurel Manor
BRISTOL, CT

Total Current Unit Count:	40
Census Tract:	4056.00
Connecticut Congressional District:	1

CHFA Property Identification #: 85010D
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:	10
Maximum # of Stories:	1
Elevator?	None

Summary property description:
The Mountain Laurel Manor property has 28 efficiency or studio and 12 one-bedroom units. Generally, the property consists of relatively spacious units. It features amenities such as common laundry, owner-provided air conditioning, semi-private outdoor space, and a common room.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 1,309,224
Capital Needs per Unit:	$ 32,731
Projected Year 1 (2014) Operating Income:	$ 132,263

Current operations at the property are projected to generate roughly $132,300 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 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 $1.31 million ($32,730 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): 20%

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.

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	496	33%
One-bedroom unit:	573	36%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	496	33%
One-bedroom unit:	573	36%
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

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

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:	496	496
One-bedroom unit:	573	573
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: D.J. Komanetsky

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	-	-
Recoverable Grant Scenario:	(2,273,937)	(1,524,712)
CHFA/FHA Scenario:	(2,635,709)	(1,944,234)
4% LIHTC Scenario:	(2,062,016)	(1,921,870)
9% LIHTC Scenario:	(1,058,963)	(889,525)

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	Mountain Laurel Manor, 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:	-
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 $132,263 in NOI in the current year, which includes $0 per unit per year in replacement reserve deposits, trending to $146,526 fifteen years thereafter. The transaction results in no capital or operating deficit subsidy need.

Immediate Emergency Capital Needs:	0
Current Deferred Capital Needs:	20,649
Current Routine Capital Needs:	44,666

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	**65,315**	-	-	-	-	-
2014	**61,611**	-	-	-	-	-
2015	**68,826**	-	-	-	-	-
2016	**56,403**	-	-	-	-	-
2017	**68,492**	-	-	-	-	-
2018	**45,432**	-	-	-	-	-
2019	**51,339**	-	-	-	-	-
2020	**69,134**	-	-	-	-	-
2021	**64,024**	-	-	-	-	-
2022	**28,062**	-	-	-	-	-

		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	**97,241**	-	-	-	-	-
2024	**22,961**	-	-	-	-	-
2025	**37,630**	-	-	-	-	-
2026	**55,492**	-	-	-	-	-
2027	**57,157**	-	-	-	-	-
2028	**74,800**	-	-	-	-	-
2029	**84,708**	-	-	-	-	-
2030	**238,624**	-	-	-	-	-
2031	**28,239**	-	-	-	-	-
2032	**33,733**	-	-	-	-	-

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	306,362	7,659.06	306,362	7,659.06	306,362	7,659	306,362	7,659	306,362	7,659
Vacancy/Loss	-	-	-	-	(15,318)	(383)	(21,445)	(536)	(21,445)	(536)
Other Income	24,937	623.43	24,937	623.43	24,937	623	24,937	623	24,937	623
Effective Gross Income	**331,300**	**8,282.49**	**331,300**	**8,282.49**	**315,981**	**7,900**	**309,854**	**7,746**	**309,854**	**7,746**
2023 ANNUAL EXPENSES										
Operating Expenses	189,132.03	4,728	205,697	5,142	201,145	5,029	200,838	5,021	200,838	5,021
Replacement Reserve Deposits	-	-	-	-	19,926	498	19,926	498	19,926	498
Total Operating Expenses	**189,132**	**4,728**	**205,697**	**5,142**	**221,071**	**5,527**	**220,765**	**5,519**	**220,765**	**5,519**
2023 NET OPERATING INCOME	**142,168**	**3,554**	**125,603**	**3,140**	**94,910**	**2,373**	**89,090**	**2,227**	**89,090**	**2,227**
Debt Service	-	-	-	-	58,333	1,458	59,491	1,487	54,984	1,375
2023 CASH FLOW	**142,168**	**3,554**	**125,603**	**3,140**	**36,577**	**914**	**29,599**	**740**	**34,106**	**853**

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	-	-	-	-	1,015,077	25,377	900,515	22,513	956,797	23,920
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	164,425	4,111	164,425	4,111
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	42,812	1,070	56,812	1,420	56,812	1,420	56,812	1,420
Cash Escrows	-	-	100,648	2,516	129,208	3,230	129,208	3,230	129,208	3,230
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	143,070	3,577	149,258	3,731	148,636	3,716
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	961,106	24,028	1,905,236	47,631
Other	-		-		-		-		-	
Total Sources of Funds	**-**	**-**	**143,460**	3,587	**1,344,166**	33,604	**2,361,324**	59,033	**3,361,115**	84,028
USES										
Acquisition Costs	-	-	-	-	1,035,575	25,889	1,200,000	30,000	1,200,000	30,000
Construction Costs	-	-	1,871,555	46,789	1,844,799	46,120	1,865,242	46,631	1,865,242	46,631
Soft Costs - Design & Construction	-	-	211,963	5,299	206,204	5,155	211,054	5,276	211,054	5,276
Soft Costs - Due Diligence	-	-	11,746	294	22,456	561	24,678	617	24,678	617
Soft Costs - Transaction Costs	-	-	63,312	1,583	143,312	3,583	266,108	6,653	266,108	6,653
Soft Costs - Financing	-	-	58,584	1,465	267,420	6,686	278,622	6,966	277,194	6,930
Soft Costs - Other	-	-	23,000	575	26,000	650	26,000	650	26,000	650
Soft Cost Contingency	-	-	18,430	461	33,270	832	36,280	907	35,753	894
Reserves	-	-	-	-	43,167	1,079	142,211	3,555	142,458	3,561
Developer Fee	-	-	158,807	3,970	357,674	8,942	373,144	9,329	371,590	9,290
Total Uses of Funds	**-**	**-**	**2,417,397**	60,435	**3,979,876**	99,497	**4,423,339**	110,583	**4,420,078**	110,502
TRANSACTION SURPLUS (GAP)	**-**	**-**	**(2,273,937)**	(56,848)	**(2,635,709)**	(65,893)	**(2,062,016)**	(51,550)	**(1,058,963)**	(26,474)

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	-	-	1,444,369	36,109	1,423,720	35,593	1,423,720	35,593	1,423,720	35,593
Capital Needs Funded Using Subsidy	-	-	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	117,962	2,949	117,962	2,949	117,962	2,949	117,962	2,949	117,962	2,949
Replacement Reserves	2,148,715	53,718	-	-	387,397	9,685	387,397	9,685	387,397	9,685
Total Funds	**2,266,677**	**56,667**	**1,562,331**	**39,058**	**1,929,079**	**48,227**	**1,929,079**	**48,227**	**1,929,079**	**48,227**
USES										
Estimated Capital Needs	1,309,224	32,731	1,309,224	32,731	1,309,224	32,731	1,309,224	32,731	1,309,224	32,731
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**1,309,224**	**32,731**	**1,309,224**	**32,731**	**1,309,224**	**32,731**	**1,309,224**	**32,731**	**1,309,224**	**32,731**
YEAR 20 REPLACEMENT RESERVE BALANCE	**957,453**	**23,936**	**253,107**	**6,328**	**619,856**	**15,496**	**619,856**	**15,496**	**619,856**	**15,496**

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	37,413	935	37,413	935	37,413	935	37,413	935
Operating Deficit Subsidy Needed	0	-	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**-**	**-**	**37,413**	**935**	**37,413**	**935**	**37,413**	**935**	**37,413**	**935**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	0	-	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(786,638)	(19,666)	(728,889)	(18,222)	(177,559)	(4,439)	(206,851)	(5,171)
Transaction Capital Subsidy Needed	n/a	n/a	2,273,937	56,848	2,635,709	65,893	2,062,016	51,550	1,058,963	26,474
Total Capital Subsidy	**-**	**-**	**1,487,299**	**37,182**	**1,906,821**	**47,671**	**1,884,457**	**47,111**	**852,112**	**21,303**
TOTAL SUBSIDY NEEDED	**-**	**-**	**1,524,712**	**38,118**	**1,944,234**	**48,606**	**1,921,870**	**48,047**	**889,525**	**22,238**