CHFA Capital Plan Property Assessment - Mount Carmel

Property Identification

Mount Carmel
HAMDEN, CT

Total Current Unit Count:	30
Census Tract:	1660.02
Connecticut Congressional District:	3

CHFA Property Identification #: 85074D
Current State Sponsored Housing Program: SH Congregate

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

Summary property description:
The Mount Carmel property has 23 efficiency or studio and 7 one-bedroom units. Generally, the property consists of relatively small units. It features amenities such as air conditioning, common laundry, a community room and meal services.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 1,162,219
Capital Needs per Unit:	$ 38,741
Projected Year 1 (2014) Operating Income:	$ 257,043

Current operations at the property are projected to generate roughly $257,000 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 $1.16 million ($38,740 per unit) over the next 20 years without dramatic changes to the property's operations.

Owner Comments to Property Assessment:

CNA Comments:
Repair and Pointing of Masonry and Siding should be done within one year. This building is about 34 years old with its original siding. This also includes the Windows that must be done in Year 1 and all Common Area Flooring as this is all original. The Cabinents also must be replaced in Years 1-3.

RECAP Response: The comment period for issues related to the CNAs occurred when the draft CNAs were distributed to the person designated by the owner to review the CNA several months ago, so we are not able to revise CNAs at this time. However, given that the CNA impacts the property anaysis, Recap has included the owner comments regarding the CNA to the property assessment so their concerns will be noted.

Current average income relative to the Area Median Income (AMI): 28%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	460	32%
One-bedroom unit:	475	31%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	460	32%
One-bedroom unit:	475	31%
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.

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	17	17
25-50% of AMI	11	11
50% of AMI or greater	2	2
Total number of units	30	30

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:	460	460
One-bedroom unit:	475	475
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: Hamden Village

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(133,088)	(133,088)
Recoverable Grant Scenario:	(1,642,708)	(1,239,261)
CHFA/FHA Scenario:	(1,522,313)	(1,440,560)
4% LIHTC Scenario:	(1,219,265)	(1,100,502)
9% LIHTC Scenario:	(418,781)	(298,089)

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:	352
Debt Service Coverage in Transaction Year:	-
Debt Service Coverage in Transaction Year 15:	-
Pre-Transaction Capital Subsidy Needed:	133,088
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 $133,088 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 small size 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 $257,043 in NOI in the current year, which includes $352 per unit per year in replacement reserve deposits, trending to $314,647 fifteen years thereafter. The transaction results in a capital subsidy need of $133,088, which would need to be covered by State capital subsidy. Given that the "Current Scenario" assumes a dependence on state subsidy on an ongoing basis, any cash flow should presumably be escrowed to offset future subsidy need or to repay the state for prior subsidy payments.

Immediate Emergency Capital Needs:	0
Current Deferred Capital Needs:	35,500
Current Routine Capital Needs:	153,262

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	**188,763**	133,088	-	-	-	-
2014	**27,785**	-	-	-	-	-
2015	**53,412**	-	-	-	-	-
2016	**37,773**	-	-	-	-	-
2017	**27,621**	-	-	-	-	-
2018	**167,108**	-	-	-	-	-
2019	**31,612**	-	-	-	-	-
2020	**38,227**	-	-	-	-	-
2021	**70,498**	-	-	-	-	-
2022	**41,014**	-	-	-	-	-

		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	**51,870**	-	-	-	-	-
2024	**52,113**	-	-	-	-	-
2025	**15,797**	-	-	-	-	-
2026	**165,018**	-	-	-	-	-
2027	**17,133**	-	-	-	-	-
2028	**24,586**	-	-	-	-	-
2029	**15,434**	-	-	-	-	-
2030	**61,981**	-	-	-	-	-
2031	**15,583**	-	-	-	-	-
2032	**58,891**	-	-	-	-	-

Scenario Pro Formas

Mount Carmel, 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	444,869	14,828.98	206,490	6,883.01	206,490	6,883	206,490	6,883	206,490	6,883
Vacancy/Loss	(3,349)	(111.63)	(1,823)	(60.77)	(10,325)	(344)	(14,454)	(482)	(14,454)	(482)
Other Income	3,088	102.95	3,088	102.95	3,088	103	3,088	103	3,088	103
Effective Gross Income	**444,609**	**14,820.30**	**207,755**	**6,925.18**	**199,254**	**6,642**	**195,124**	**6,504**	**195,124**	**6,504**
2023 ANNUAL EXPENSES										
Operating Expenses	136,269	4,542	146,657	4,889	142,796	4,760	142,589	4,753	142,589	4,753
Replacement Reserve Deposits	15,012	500	15,012	500	14,945	498	14,945	498	14,945	498
Total Operating Expenses	**151,281**	**5,043**	**161,668**	**5,389**	**157,741**	**5,258**	**157,534**	**5,251**	**157,534**	**5,251**
2023 NET OPERATING INCOME	**293,328**	**9,778**	**46,087**	**1,536**	**41,513**	**1,384**	**37,590**	**1,253**	**37,590**	**1,253**
Debt Service	-	-	-	-	31,142	1,038	27,099	903	27,026	901
2023 CASH FLOW	**293,328**	**9,778**	**46,087**	**1,536**	**10,372**	**346**	**10,491**	**350**	**10,565**	**352**

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	-	-	-	-	541,912	18,064	365,210	12,174	470,282	15,676
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	739,000	24,633	739,000	24,633
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	8,015	267	18,515	617	18,515	617	18,515	617
Cash Escrows	-	-	55,675	1,856	55,675	1,856	55,675	1,856	55,675	1,856
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	101,222	3,374	107,604	3,587	107,223	3,574
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	712,415	23,747	1,409,676	46,989
Other	-		-		-		-		-	
Total Sources of Funds	**-**	-	**63,690**	2,123	**717,325**	23,911	**1,998,420**	66,614	**2,800,371**	93,346
USES										
Acquisition Costs	-	-	-	-	161,000	5,367	900,000	30,000	900,000	30,000
Construction Costs	-	-	1,329,144	44,305	1,329,144	44,305	1,343,873	44,796	1,343,873	44,796
Soft Costs - Design & Construction	-	-	154,155	5,139	152,060	5,069	155,554	5,185	155,554	5,185
Soft Costs - Due Diligence	-	-	10,595	353	19,788	660	22,193	740	22,193	740
Soft Costs - Transaction Costs	-	-	28,515	951	108,515	3,617	226,338	7,545	226,338	7,545
Soft Costs - Financing	-	-	42,013	1,400	148,104	4,937	171,427	5,714	171,704	5,723
Soft Costs - Other	-	-	17,250	575	19,500	650	19,500	650	19,500	650
Soft Cost Contingency	-	-	12,626	421	22,398	747	26,188	873	25,866	862
Reserves	-	-	-	-	26,071	869	83,603	2,787	86,066	2,869
Developer Fee	-	-	112,099	3,737	253,056	8,435	269,009	8,967	268,058	8,935
Total Uses of Funds	**-**	-	**1,706,398**	56,880	**2,239,638**	74,655	**3,217,685**	107,256	**3,219,152**	107,305
TRANSACTION SURPLUS (GAP)	**-**	-	**(1,642,708)**	(54,757)	**(1,522,313)**	(50,744)	**(1,219,265)**	(40,642)	**(418,781)**	(13,959)

Scenario Pro Formas (continued)

Mount Carmel, 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	-	-	1,025,765	34,192	1,025,765	34,192	1,025,765	34,192	1,025,765	34,192
Capital Needs Funded Using Subsidy	133,088	4,436	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	55,675	1,856	55,675	1,856	55,675	1,856	55,675	1,856	55,675	1,856
Replacement Reserves	5,874,170	195,806	291,847	9,728	290,548	9,685	290,548	9,685	290,548	9,685
Total Funds	**6,062,933**	**202,098**	**1,373,287**	**45,776**	**1,371,988**	**45,733**	**1,371,988**	**45,733**	**1,371,988**	**45,733**
USES										
Estimated Capital Needs	1,162,219	38,741	1,162,219	38,741	1,162,219	38,741	1,162,219	38,741	1,162,219	38,741
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**1,162,219**	**38,741**	**1,162,219**	**38,741**	**1,162,219**	**38,741**	**1,162,219**	**38,741**	**1,162,219**	**38,741**
YEAR 20 REPLACEMENT RESERVE BALANCE	**4,900,714**	**163,357**	**211,068**	**7,036**	**209,769**	**6,992**	**209,769**	**6,992**	**209,769**	**6,992**

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	-	155	5	82	3
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**-**	**-**	**-**	**-**	**-**	**-**	**155**	**5**	**82**	**3**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	133,088	4,436	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(403,448)	(13,448)	(81,752)	(2,725)	(118,918)	(3,964)	(120,774)	(4,026)
Transaction Capital Subsidy Needed	n/a	n/a	1,642,708	54,757	1,522,313	50,744	1,219,265	40,642	418,781	13,959
Total Capital Subsidy	**133,088**	**4,436**	**1,239,261**	**41,309**	**1,440,560**	**48,019**	**1,100,347**	**36,678**	**298,007**	**9,934**
TOTAL SUBSIDY NEEDED	**133,088**	**4,436**	**1,239,261**	**41,309**	**1,440,560**	**48,019**	**1,100,502**	**36,683**	**298,089**	**9,936**