CHFA Capital Plan Property Assessment - Oak Park

Property Identification

Oak Park
STAMFORD, CT

Total Current Unit Count:	168
Census Tract:	220.00
Connecticut Congressional District:	0

<u>CHFA Property Identification #:</u> 85177D
<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:	Duplex
Number of buildings:	27
Maximum # of Stories:	2
Elevator?	None

<u>Summary property description:</u>
The Oak Park property has 14 one-bedroom, 138 two-bedroom, 14 three-bedroom and 2 five-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as a residential setting, in-unit laundry hook-up, and expansive greenscapes.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 8,200,635
Capital Needs per Unit:	$ 48,813
Projected Year 1 (2014) Operating Income:	$ 1,082,461

Current operations at the property are projected to generate roughly $1,082,500 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 $8.2 million ($48,813 per unit) over the next 20 years without dramatic changes to the property's operations.

The property is operating under a sustainable revenue picture for the foreseeable future, so no revenue adjustments prior to the recapitalization transaction are recommended.

Current average income relative to the Area Median Income (AMI): 25%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	551	24%
Two-bedroom unit:	727	26%
Three-bedroom unit:	767	24%
Four-bedroom unit:		
Five-bedroom unit:	837	21%
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	687	30%
Two-bedroom unit:	824	30%
Three-bedroom unit:	952	30%
Four-bedroom unit:		
Five-bedroom unit:	1,172	30%
Six-bedroom unit:		

Number of current households that would be impacted by the proposed increase in Base Rent: 135

Rental operating subsidy necessary in 2014 to generate revenue equal to raising the base rent as proposed: $ 185,777

Total rental operating subsidy necessary assuming a turnover-based leasing strategy: $ 1,085,599

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	135	135
25-50% of AMI	32	32
50% of AMI or greater	1	1
Total number of units	168	168

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:	687	687
Two-bedroom unit:	824	824
Three-bedroom unit:	952	952
Four-bedroom unit:		
Five-bedroom unit:	1,172	1,172
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

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(3,056,463)	(3,056,463)
Recoverable Grant Scenario:	(13,597,034)	(5,689,599)
CHFA/FHA Scenario:	(2,333,478)	-
4% LIHTC Scenario:	2,321,471	-
9% LIHTC Scenario:	7,751,781	-

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	2020
Replacement Reserve Deposit PUPY:	425
Debt Service Coverage in Transaction Year:	1.200
Debt Service Coverage in Transaction Year 15:	1.986
Pre-Transaction Capital Subsidy Needed:	111,808
Transaction Capital Subsidy Needed:	-

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 2020 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 1.986 throughout the first 15 years of the new financing, and assuming hard construction capital needs of $8.2 million.

Given the 2020 transaction year, the property will struggle to meet its capital needs purely from its own resources prior to that date. The capital plan recommends that the State establish an interim recoverable grant structure to cover the needs until the transaction year. This interim recoverable grant would be repaid to the State to the extent possible from cash flow, but has not been included as a required repayment in the proposed transaction.

Summary of Recommended Transaction

Under the 4% LIHTC scenario, the property yields $1,238,250 in NOI in the transaction completion year, which includes $425 per unit per year in replacement reserve deposits. After debt service, the property generates $483,979 in cash flow in the capital transaction's completion year, trending to $743,598 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 $12,382,000 in debt and $7,069,000 in equity. The transaction results in a gap of $000, plus the pre-transaction need of $111,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over $3,056,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over $13,597,000, plus the pre-transaction need of $111,000, 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:	438,634
Current Routine Capital Needs:	823,193

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	**1,261,827**	15,120	-	-	-	-
2014	**2,833,956**	96,688	-	-	185,777	-
2015	**348,224**	-	-	-	170,543	-
2016	**358,671**	-	-	-	154,625	(0)
2017	**369,431**	-	-	-	138,003	(0)
2018	**140,884**	-	-	-	120,654	(0)
2019	**129,581**	-	-	-	102,556	(0)
2020	**231,451**	-	-	-	83,686	(0)
2021	**238,395**	-	-	-	64,020	(0)
2022	**248,808**	-	-	-	43,533	-

		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	**323,990**	-	-	-	22,202	(0)
2024	**239,097**	-	-	-	-	-
2025	**246,270**	-	-	-	-	-
2026	**253,658**	-	-	-	-	-
2027	**261,268**	-	-	-	-	-
2028	**154,342**	-	-	-	-	-
2029	**138,101**	-	-	-	-	-
2030	**142,244**	-	-	-	-	-
2031	**146,512**	-	-	-	-	-
2032	**133,922**	-	-	-	-	-

Scenario Pro Formas

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	1,924,624	11,456.10	2,212,521	13,169.77	2,212,521	13,170	2,212,521	13,170	2,212,521	13,170
Vacancy/Loss	-	-	-	-	(110,626)	(658)	(154,876)	(922)	(154,876)	(922)
Other Income	51,385	305.86	51,385	305.86	51,385	306	51,385	306	51,385	306
Effective Gross Income	**1,976,009**	**11,761.96**	**2,263,905**	**13,475.63**	**2,153,279**	**12,817**	**2,109,029**	**12,554**	**2,109,029**	**12,554**
2023 ANNUAL EXPENSES										
Operating Expenses	736,530	4,384	757,518	4,509	737,380	4,389	735,167	4,376	735,167	4,376
Replacement Reserve Deposits	-	-	-	-	101,624	605	101,624	605	83,691	498
Total Operating Expenses	**736,530**	**4,384**	**757,518**	**4,509**	**839,004**	**4,994**	**836,792**	**4,981**	**818,858**	**4,874**
2023 NET OPERATING INCOME	**1,239,479**	**7,378**	**1,506,387**	**8,967**	**1,314,275**	**7,823**	**1,272,237**	**7,573**	**1,290,171**	**7,680**
Debt Service	43,141	257	43,141	257	780,728	4,647	754,272	4,490	721,111	4,292
2023 CASH FLOW	**1,196,338**	**7,121**	**1,463,246**	**8,710**	**533,547**	**3,176**	**517,965**	**3,083**	**569,060**	**3,387**

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	-	-	-	-	13,585,724	80,867	12,382,509	73,705	12,548,316	74,692
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	14,909,704	88,748	15,116,963	89,982
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	32,858	196	104,258	621	104,258	621	91,658	546
Cash Escrows	-	-	-	-	33,532	200	33,532	200	6,800	40
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	779,488	4,640	816,811	4,862	813,609	4,843
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	7,069,778	42,082	12,327,595	73,379
Other	-		-		-		-		-	
Total Sources of Funds	**-**	**-**	**32,858**	196	**14,503,002**	86,327	**35,316,591**	210,218	**40,904,941**	243,482
USES										
Acquisition Costs	-	-	-	-	568,432	3,384	15,478,136	92,132	15,685,395	93,365
Construction Costs	-	-	11,020,668	65,599	11,020,668	65,599	11,142,796	66,326	11,142,796	66,326
Soft Costs - Design & Construction	-	-	1,121,731	6,677	1,104,360	6,574	1,131,501	6,735	1,131,501	6,735
Soft Costs - Due Diligence	-	-	29,125	173	45,707	272	72,145	429	72,394	431
Soft Costs - Transaction Costs	-	-	53,358	318	133,358	794	344,672	2,052	344,672	2,052
Soft Costs - Financing	-	-	331,405	1,973	1,309,181	7,793	1,680,368	10,002	1,676,586	9,980
Soft Costs - Other	-	-	96,600	575	109,200	650	109,200	650	109,200	650
Soft Cost Contingency	-	-	81,611	486	135,090	804	153,796	915	151,085	899
Reserves	-	-	-	-	461,764	2,749	840,477	5,003	805,506	4,795
Developer Fee	-	-	895,394	5,330	1,948,720	11,600	2,042,028	12,155	2,034,023	12,107
Total Uses of Funds	**-**	**-**	**13,629,891**	81,130	**16,836,480**	100,217	**32,995,120**	196,400	**33,153,160**	197,340
TRANSACTION SURPLUS (GAP)	**-**	**-**	**(13,597,034)**	(80,935)	**(2,333,478)**	(13,890)	**2,321,471**	13,818	**7,751,781**	46,142

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	-	-	8,505,181	50,626	8,505,181	50,626	8,505,181	50,626	8,505,181	50,626
Capital Needs Funded Using Subsidy	3,056,463	18,193	301,158	1,793	111,808	666	111,808	666	124,408	741
Existing Replacement Reserve Balance	-	-	-	-	-	-	-	-	-	-
Replacement Reserves	22,780,255	135,597	-	-	1,975,726	11,760	1,975,726	11,760	1,627,068	9,685
Total Funds	**25,836,718**	**153,790**	**8,806,340**	**52,419**	**10,592,715**	**63,052**	**10,592,715**	**63,052**	**10,256,658**	**61,052**
USES										
Estimated Capital Needs	8,200,635	48,813	8,200,635	48,813	8,200,635	48,813	8,200,635	48,813	8,200,635	48,813
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**8,200,635**	**48,813**	**8,200,635**	**48,813**	**8,200,635**	**48,813**	**8,200,635**	**48,813**	**8,200,635**	**48,813**
YEAR 20 REPLACEMENT RESERVE BALANCE	**17,636,083**	**104,977**	**605,705**	**3,605**	**2,392,080**	**14,239**	**2,392,080**	**14,239**	**2,056,023**	**12,238**

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	1,085,599	6,462	1,085,599	6,462	1,085,599	6,462	1,085,599	6,462
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	**-**	**-**	**1,085,599**	**6,462**	**1,085,599**	**6,462**	**1,085,599**	**6,462**	**1,085,599**	**6,462**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	3,056,463	18,193	301,158	1,793	111,808	666	111,808	666	124,408	741
Recoverable Cash Flow	n/a	n/a	(9,294,192)	(55,323)	(3,530,885)	(21,017)	(1,197,407)	(7,127)	(1,210,007)	(7,202)
Transaction Capital Subsidy Needed	n/a	n/a	13,597,034	80,935	2,333,478	13,890	-	-	-	-
Total Capital Subsidy	**3,056,463**	**18,193**	**4,604,000**	**27,405**	**(1,085,599)**	**(6,462)**	**(1,085,599)**	**(6,462)**	**(1,085,599)**	**(6,462)**
TOTAL SUBSIDY NEEDED	**3,056,463**	**18,193**	**5,689,599**	**33,867**	**-**	**-**	**-**	**-**	**-**	**-**