CHFA Capital Plan Property Assessment - March Community Residence

Property Identification

March Community Residence
MANCHESTER, CT

Total Current Unit Count:	4
Census Tract:	5145.00
Connecticut Congressional District:	1

CHFA Property Identification #: 85092D
Current State Sponsored Housing Program: SH Moderate Rental 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:	Family
Structure Type:	Row House
Number of buildings:	1
Maximum # of Stories:	1
Elevator?	None

Summary property description:

The March Community Residence property has 4 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as central air conditioning, a community room, and meal service.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 92,195
Capital Needs per Unit:	$ 23,049
Projected Year 1 (2014) Operating Income:	$ 15,119

Current operations at the property are projected to generate roughly $15,100 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 $0.09 million ($23,048 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): 26%

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:		
One-bedroom unit:	672	42%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	672	42%
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	4	4
25-50% of AMI	0	0
50% of AMI or greater	0	0
Total number of units	4	4

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:	672	672
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: Grove Ct

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	-	-
Recoverable Grant Scenario:	(153,511)	(62,162)
CHFA/FHA Scenario:	(139,852)	(106,994)
4% LIHTC Scenario:	(211,253)	(193,777)
9% LIHTC Scenario:	(9,171)	22,730

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 March Community Residence, continued

Recommended Transaction Option:	Current
Recommended Transaction Year	n/a
Replacement Reserve Deposit PUPY:	477
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 may 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 $15,119 in NOI in the current year, which includes $477 per unit per year in replacement reserve deposits, trending to $14,541 fifteen years thereafter. The transaction results in no capital or operating deficit subsidy.

Immediate Emergency Capital Needs:	0
Current Deferred Capital Needs:	0
Current Routine Capital Needs:	5,958

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 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	**5,958**	-	-	-	-	-
2014	**-**	-	-	-	-	-
2015	**12,200**	-	-	-	-	-
2016	**-**	-	-	-	-	-
2017	**17,795**	-	-	-	-	-
2018	**656**	-	-	-	-	-
2019	**4,692**	-	-	-	-	-
2020	**-**	-	-	-	-	-
2021	**-**	-	-	-	-	-
2022	**-**	-	-	-	-	-

Year	**Annual Capital Needs (per 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	**1,255**	-	-	-	-	-
2024	**-**	-	-	-	-	-
2025	**-**	-	-	-	-	-
2026	**-**	-	-	-	-	-
2027	**10,373**	-	-	-	-	-
2028	**35,626**	-	-	-	-	-
2029	**3,278**	-	-	-	-	-
2030	**-**	-	-	-	-	-
2031	**-**	-	-	-	-	-
2032	**361**	-	-	-	-	-

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	40,908	10,227.10	40,908	10,227.10	40,908	10,227	40,908	10,227	40,908	10,227
Vacancy/Loss	(186)	(46.61)	(186)	(46.61)	(2,045)	(511)	(2,864)	(716)	(2,864)	(716)
Other Income	8,231	2,057.78	8,231	2,057.78	8,231	2,058	8,231	2,058	8,231	2,058
Effective Gross Income	**48,953**	**12,238.28**	**48,953**	**12,238.28**	**47,094**	**11,774**	**46,276**	**11,569**	**46,276**	**11,569**
2023 ANNUAL EXPENSES										
Operating Expenses	31,227	7,807	33,675	8,419	32,111	8,028	32,070	8,017	32,070	8,017
Replacement Reserve Deposits	2,718	679	2,718	679	2,420	605	2,420	605	1,993	498
Total Operating Expenses	**33,945**	**8,486**	**36,393**	**9,098**	**34,530**	**8,633**	**34,489**	**8,622**	**34,062**	**8,516**
2023 NET OPERATING INCOME	**15,008**	**3,752**	**12,560**	**3,140**	**12,564**	**3,141**	**11,787**	**2,947**	**12,214**	**3,053**
Debt Service	-	-	-	-	7,855	1,964	9,095	2,274	7,640	1,910
2023 CASH FLOW	**15,008**	**3,752**	**12,560**	**3,140**	**4,708**	**1,177**	**2,692**	**673**	**4,574**	**1,143**

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	-	-	-	-	136,694	34,174	67,670	16,917	132,943	33,236
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	152,017	38,004	156,404	39,101
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	1,064	266	2,764	691	2,764	691	2,464	616
Cash Escrows	-	-	42,577	10,644	42,577	10,644	42,577	10,644	42,577	10,644
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	16,405	4,101	20,500	5,125	20,487	5,122
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	136,117	34,029	275,605	68,901
Other	-		-		-		-		-	
Total Sources of Funds	**-**	**-**	**43,641**	10,910	**198,441**	49,610	**421,645**	105,411	**630,481**	157,620
USES										
Acquisition Costs	-	-	-	-	-	-	152,017	38,004	156,404	39,101
Construction Costs	-	-	119,463	29,866	119,463	29,866	120,787	30,197	120,787	30,197
Soft Costs - Design & Construction	-	-	25,232	6,308	25,044	6,261	25,358	6,339	25,358	6,339
Soft Costs - Due Diligence	-	-	7,843	1,961	15,543	3,886	15,927	3,982	15,933	3,983
Soft Costs - Transaction Costs	-	-	21,564	5,391	101,564	25,391	207,717	51,929	207,717	51,929
Soft Costs - Financing	-	-	4,716	1,179	19,238	4,810	27,105	6,776	28,216	7,054
Soft Costs - Other	-	-	2,300	575	2,600	650	2,600	650	2,600	650
Soft Cost Contingency	-	-	3,083	771	8,199	2,050	11,513	2,878	11,502	2,875
Reserves	-	-	-	-	5,628	1,407	18,623	4,656	19,921	4,980
Developer Fee	-	-	12,952	3,238	41,014	10,253	51,250	12,813	51,216	12,804
Total Uses of Funds	**-**	**-**	**197,152**	49,288	**338,293**	84,573	**632,898**	158,224	**639,652**	159,913
TRANSACTION SURPLUS (GAP)	**-**	**-**	**(153,511)**	(38,378)	**(139,852)**	(34,963)	**(211,253)**	(52,813)	**(9,171)**	(2,293)

Scenario Pro Formas (continued)

March Community Residence, 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	-	-	92,195	23,049	92,195	23,049	92,195	23,049	92,195	23,049
Capital Needs Funded Using Subsidy	-	-	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	42,577	10,644	42,577	10,644	42,577	10,644	42,577	10,644	42,577	10,644
Replacement Reserves	334,472	83,618	52,842	13,210	47,041	11,760	47,041	11,760	38,740	9,685
Total Funds	**377,049**	**94,262**	**187,614**	**46,903**	**181,814**	**45,453**	**181,814**	**45,453**	**173,512**	**43,378**
USES										
Estimated Capital Needs	92,195	23,049	92,195	23,049	92,195	23,049	92,195	23,049	92,195	23,049
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**92,195**	**23,049**	**92,195**	**23,049**	**92,195**	**23,049**	**92,195**	**23,049**	**92,195**	**23,049**
YEAR 20 REPLACEMENT RESERVE BALANCE	**284,853**	**71,213**	**95,419**	**23,855**	**89,618**	**22,405**	**89,618**	**22,405**	**81,317**	**20,329**

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	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	0	-	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(91,349)	(22,837)	(32,858)	(8,215)	(17,476)	(4,369)	(31,901)	(7,975)
Transaction Capital Subsidy Needed	n/a	n/a	153,511	38,378	139,852	34,963	211,253	52,813	9,171	2,293
Total Capital Subsidy	**-**	**-**	**62,162**	**15,541**	**106,994**	**26,749**	**193,777**	**48,444**	**(22,730)**	**(5,683)**
TOTAL SUBSIDY NEEDED	**-**	**-**	**62,162**	**15,541**	**106,994**	**26,749**	**193,777**	**48,444**	**(22,730)**	**(5,683)**