CHFA Capital Plan Property Assessment - Dublin Village, Dublin Village Annex, Ponemah Village

Property Identification

Dublin Village, Dublin Village Annex, Ponemah Village
COLCHESTER, CT

Total Current Unit Count:	70
Census Tract:	7141.01
Connecticut Congressional District:	2

CHFA Property Identification #: 85016D, 93017D, 85017D
Current State Sponsored Housing Program: SH Elderly

This property was originally financed in phases and appears in CHFA's records as three separate properties. However, lenders and investors are likely to favor larger transactions given the efficiencies of scale and Recap has elected to analyze these properties as a unitary whole. Recap also recommends that the owner and CHFA merge the properties for purposes of reporting, accounting and ownership.

Property Description

Tenancy Type:	Elderly/Disabled
Structure Type:	Low rise (1-4 floors)
Number of buildings:	13
Maximum # of Stories:	3
Elevator?	None

Summary property description:
The Dublin Village property has 40 efficiency or studio and 30 one-bedroom units. Generally, the property consists of relatively spacious units. It features amenities such as air conditioning, common laundry, a common patio, and a community room.

Current Operating & Capital Needs Status

Aggregate Capital Needs (without market enhancements):	$ 2,852,502
Capital Needs per Unit:	$ 40,750
Projected Year 1 (2014) Operating Income:	$ (55,360)

Current operations at the property are projected to generate negative $55,400 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 and this shortfall continues to grow. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately $2.85 million ($40,750 per unit) over the next 20 years.

Owner Comments to Property Assessment:

Market Assessment: Incorrect number of Parking Spaces (We have 39 parking spaces for 30 units, or .98/unit)
Market Assessment: On Table 2 of Page 8, Unit Counts of Dublin Village (and Annex) and Ponemah Village are transposed, should be Dublin 40 units and Ponemah 30
RECAP Comment: While the comments to the market assessment propertry description have been noted, they do not materially impact the market assessments conclusions/recommendations regarding the property's market dept or marketability.

Property Assessment: Property Description should be 16 studio and 24 one bedroom units.
RECAP Comment: The Property Description includes the unit counts of both Dublin & Ponemah Villages.

Current average income relative to the Area Median Income (AMI): 18%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	315	18%
One-bedroom unit:	350	18%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	315	18%
One-bedroom unit:	350	18%
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 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.

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	59	59
25-50% of AMI	11	11
50% of AMI or greater	0	0
Total number of units	70	70

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:	315	315
One-bedroom unit:	350	350
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: Dublin Village

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(359,707)	(2,644,898)
Recoverable Grant Scenario:	(4,411,116)	(7,774,036)
CHFA/FHA Scenario:	(3,510,867)	(6,956,226)
4% LIHTC Scenario:	(2,470,784)	(5,922,238)
9% LIHTC Scenario:	(472,430)	(3,923,607)

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	Dublin Village, Dublin Village Annex, Ponemah Village, 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:	359,707
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 $381,890 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 low rental revenue and/or 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 does not have a stable operating revenue and expense picture and is at-risk of experiencing long term structural operating deficits unless it is able to access significant operating subsidy. Under the Current scenario, the property yields negative $55,360 in NOI in the current year, which includes $0 per unit per year in replacement reserve deposits, trending to negative $159,817 fifteen years thereafter. The transaction results in a capital subsidy need of $381,890 and $2,285,000 in operating deficit subsidy, all of 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.

Immediate Emergency Capital Needs:	0
Current Deferred Capital Needs:	46,829
Current Routine Capital Needs:	50,140

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: Pre-Transaction Capital Subsidy Needs	Capital Subsidy: Transaction Capital Subsidy Needs	Operating Subsidy: Operating Deficit Subsidy Needs	Operating Subsidy: Base Rent Operating Subsidy Needs	Operating Subsidy: Income Mixing Operating Subsidy Needs
2013	**96,968**	-	-	-	-	-
2014	**65,335**	-	-	55,360	-	-
2015	**192,074**	-	-	60,861	-	-
2016	**64,352**	-	-	66,619	-	-
2017	**156,877**	-	-	72,644	-	-
2018	**59,646**	-	-	78,946	-	-
2019	**40,221**	-	-	85,536	-	-
2020	**80,972**	-	-	92,425	-	-
2021	**55,114**	-	-	99,625	-	-
2022	**52,312**	-	-	107,149	-	-

Year	Annual Capital Needs (per CNA)	Capital Subsidy: Pre-Transaction Capital Subsidy Needs	Capital Subsidy: Transaction Capital Subsidy Needs	Operating Subsidy: Operating Deficit Subsidy Needs	Operating Subsidy: Base Rent Operating Subsidy Needs	Operating Subsidy: Income Mixing Operating Subsidy Needs
2023	**169,520**	-	-	115,008	-	-
2024	**62,704**	-	-	123,217	-	-
2025	**160,138**	-	-	131,787	-	-
2026	**116,569**	-	-	140,734	-	-
2027	**142,471**	-	-	150,073	-	-
2028	**183,092**	-	-	159,817	-	-
2029	**215,727**	-	-	169,983	-	-
2030	**268,531**	-	-	180,586	-	-
2031	**222,559**	61,769	-	191,645	-	-
2032	**447,318**	297,938	-	203,176	-	-

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	375,429	5,363.28	582,151	8,316.44	582,151	8,316	582,151	8,316	582,151	8,316
Vacancy/Loss	(7,796)	(111.37)	(7,796)	(111.37)	(29,108)	(416)	(40,751)	(582)	(40,751)	(582)
Other Income	3,218	45.97	3,218	45.97	3,218	46	3,218	46	3,218	46
Effective Gross Income	**370,852**	**5,297.88**	**577,573**	**8,251.05**	**556,262**	**7,947**	**544,619**	**7,780**	**544,619**	**7,780**
2023 ANNUAL EXPENSES										
Operating Expenses	380,908	5,442	409,787	5,854	400,337	5,719	399,755	5,711	399,755	5,711
Replacement Reserve Deposits	104,952	1,499	104,952	1,499	34,871	498	34,871	498	34,871	498
Total Operating Expenses	**485,860**	**6,941**	**514,739**	**7,353**	**435,209**	**6,217**	**434,626**	**6,209**	**434,626**	**6,209**
2023 NET OPERATING INCOME	**(115,008)**	**(1,643)**	**62,835**	**898**	**121,053**	**1,729**	**109,992**	**1,571**	**109,992**	**1,571**
Debt Service	-	-	-	-	77,797	1,111	67,008	957	66,969	957
2023 CASH FLOW	**(115,008)**	**(1,643)**	**62,835**	**898**	**43,256**	**618**	**42,984**	**614**	**43,024**	**615**

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	-	-	-	-	1,353,771	19,340	1,024,748	14,639	1,165,346	16,648
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	2,100,000	30,000	2,100,000	30,000
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	53,633	766	78,133	1,116	78,133	1,116	78,133	1,116
Cash Escrows	-	-	507,493	7,250	458,255	6,547	458,255	6,547	458,255	6,547
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	276,880	3,955	288,293	4,118	287,109	4,102
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,837,170	26,245	3,692,452	52,749
Other	-		-		-		-		-	
Total Sources of Funds	**-**	-	**561,126**	8,016	**2,167,038**	30,958	**5,786,599**	82,666	**7,781,294**	111,161
USES										
Acquisition Costs	-	-	-	-	-	-	2,100,000	30,000	2,100,000	30,000
Construction Costs	-	-	3,929,395	56,134	3,868,716	55,267	3,911,588	55,880	3,911,588	55,880
Soft Costs - Design & Construction	-	-	431,280	6,161	418,715	5,982	428,886	6,127	428,886	6,127
Soft Costs - Due Diligence	-	-	15,715	225	26,642	381	32,714	467	32,714	467
Soft Costs - Transaction Costs	-	-	74,133	1,059	154,133	2,202	296,454	4,235	296,454	4,235
Soft Costs - Financing	-	-	120,720	1,725	358,430	5,120	417,788	5,968	415,613	5,937
Soft Costs - Other	-	-	40,250	575	45,500	650	45,500	650	45,500	650
Soft Cost Contingency	-	-	34,105	487	50,171	717	55,242	789	54,240	775
Reserves	-	-	-	-	63,398	906	248,478	3,550	250,958	3,585
Developer Fee	-	-	326,644	4,666	692,199	9,889	720,733	10,296	717,772	10,254
Total Uses of Funds	**-**	-	**4,972,242**	71,032	**5,677,905**	81,113	**8,257,384**	117,963	**8,253,724**	117,910
TRANSACTION SURPLUS (GAP)	**-**	-	**(4,411,116)**	(63,016)	**(3,510,867)**	(50,155)	**(2,470,784)**	(35,297)	**(472,430)**	(6,749)

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	-	-	3,032,504	43,321	2,985,675	42,652	2,985,675	42,652	2,985,675	42,652
Capital Needs Funded Using Subsidy	359,707	5,139	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	452,375	6,463	452,375	6,463	452,375	6,463	452,375	6,463	452,375	6,463
Replacement Reserves	2,040,420	29,149	2,040,420	29,149	677,945	9,685	677,945	9,685	677,945	9,685
Total Funds	**2,852,502**	**40,750**	**5,525,298**	**78,933**	**4,115,995**	**58,800**	**4,115,995**	**58,800**	**4,115,995**	**58,800**
USES										
Estimated Capital Needs	2,852,502	40,750	2,852,502	40,750	2,852,502	40,750	2,852,502	40,750	2,852,502	40,750
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	**2,852,502**	**40,750**	**2,852,502**	**40,750**	**2,852,502**	**40,750**	**2,852,502**	**40,750**	**2,852,502**	**40,750**
YEAR 20 REPLACEMENT RESERVE BALANCE	**-**	**-**	**2,672,797**	**38,183**	**1,263,493**	**18,050**	**1,263,493**	**18,050**	**1,263,493**	**18,050**

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	3,699,794	52,854	3,699,794	52,854	3,699,794	52,854	3,699,794	52,854
Operating Deficit Subsidy Needed	2,285,191	32,646	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	**2,285,191**	**32,646**	**3,699,794**	**52,854**	**3,699,794**	**52,854**	**3,699,794**	**52,854**	**3,699,794**	**52,854**
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	359,707	5,139	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(336,873)	(4,812)	(254,434)	(3,635)	(248,341)	(3,548)	(248,616)	(3,552)
Transaction Capital Subsidy Needed	n/a	n/a	4,411,116	63,016	3,510,867	50,155	2,470,784	35,297	472,430	6,749
Total Capital Subsidy	**359,707**	**5,139**	**4,074,243**	**58,203**	**3,256,433**	**46,520**	**2,222,444**	**31,749**	**223,814**	**3,197**
TOTAL SUBSIDY NEEDED	**2,644,898**	**37,784**	**7,774,036**	**111,058**	**6,956,226**	**99,375**	**5,922,238**	**84,603**	**3,923,607**	**56,052**