

## CHFA Capital Plan Property Assessment - Florence S. Lord

### Property Identification

Florence S. Lord  
Marlborough, CT

CHFA Property Identification #: 94056D

Current State Sponsored Housing Program: SH Elderly

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.

Total Current Unit Count: 24  
Census Tract: 5241.00  
Connecticut Congressional District: 2

### Property Description

Tenancy Type: Elderly/Disabled  
Structure Type: Low rise (1-4 floors)  
Number of buildings: 1  
Maximum # of Stories: 3  
Elevator? Yes

Summary property description:

The Florence S. Lord property has 24 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as common laundry and a community room.

### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 1,513,803  
  
Capital Needs per Unit: \$ 63,075  
  
Projected Year 1 (2014) Operating Income: \$ (19,838)

Current operations at the property are projected to generate negative \$19,800 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 \$1.51 million (\$63,075 per unit) over the next 20 years.

**Revenue Adjustments Prior to a Recapitalization Transaction**

Florence S. Lord, continued

Current average income relative to the Area Median Income (AMI): 32%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	590	37%
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:	590	37%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

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.

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

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Florence S. Lord, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	23	23
25-50% of AMI	0	0
50% of AMI or greater	1	1
Total number of units	24	24

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:	590	590
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: Florence S. Lord

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(743,799)	(1,678,413)
Recoverable Grant Scenario:	(2,468,481)	(3,266,273)
CHFA/FHA Scenario:	(2,338,495)	(3,092,210)
4% LIHTC Scenario:	(1,925,247)	(2,676,589)
9% LIHTC Scenario:	(851,892)	(1,603,263)

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**

Florence S. Lord, continued

Recommended Transaction Option:	Current	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.
Recommended Transaction Year	n/a	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 \$743,799 over the course of the next 20 years.
Replacement Reserve Deposit PUPY:	1,211	
Debt Service Coverage in Transaction Year:	-	
Debt Service Coverage in Transaction Year 15:	-	At this time, the "Current Scenario" is the only approach which reasonably covers the property's capital needs given the low rental revenue 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.
Pre-Transaction Capital Subsidy Needed:	743,799	
Transaction Capital Subsidy 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 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 \$19,838 in NOI in the current year, which includes \$1,211 per unit per year in replacement reserve deposits, trending to negative \$67,094 fifteen years thereafter. The transaction results in a capital subsidy need of \$743,000 and \$934,000 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.

**Summary of Capital Needs & State Subsidy Needs**

Florence S. Lord, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 0  
 Current Routine Capital Needs: 160,128

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	160,128	160,128	-	-	-	-
2014	79,432	50,359	-	19,838	-	-
2015	50,842	20,606	-	22,314	-	-
2016	70,404	38,959	-	24,909	-	-
2017	159,093	126,390	-	27,625	-	-
2018	72,294	38,283	-	30,469	-	-
2019	49,758	14,386	-	33,445	-	-
2020	61,833	25,047	-	36,558	-	-
2021	38,163	-	-	39,814	-	-
2022	57,681	17,798	-	43,219	-	-

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	43,994	2,615	-	46,777	-	-
2024	60,214	17,180	-	50,495	-	-
2025	36,123	-	-	54,379	-	-
2026	105,184	50,004	-	58,436	-	-
2027	158,434	110,026	-	62,672	-	-
2028	54,824	4,480	-	67,094	-	-
2029	94,339	41,980	-	71,709	-	-
2030	80,012	25,560	-	76,525	-	-
2031	38,239	-	-	81,549	-	-
2032	42,812	-	-	86,789	-	-

**Scenario Pro Formas**

Florence S. Lord, continued

**Income and Expense 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
<b>2023 ANNUAL INCOME</b>										
Gross Potential Rent	213,244	8,885.15	273,254	11,385.58	273,254	11,386	273,254	11,386	273,254	11,386
Vacancy/Loss	-	-	-	-	(13,663)	(569)	(19,128)	(797)	(19,128)	(797)
Other Income	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Income</b>	<b>213,244</b>	<b>8,885.15</b>	<b>273,254</b>	<b>11,385.58</b>	<b>259,591</b>	<b>10,816</b>	<b>254,126</b>	<b>10,589</b>	<b>254,126</b>	<b>10,589</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	218,641	9,110	209,163	8,715	203,558	8,482	203,284	8,470	203,284	8,470
Replacement Reserve Deposits	41,380	1,724	41,380	1,724	11,956	498	11,956	498	11,956	498
<b>Total Operating Expenses</b>	<b>260,020</b>	<b>10,834</b>	<b>250,543</b>	<b>10,439</b>	<b>215,514</b>	<b>8,980</b>	<b>215,240</b>	<b>8,968</b>	<b>215,240</b>	<b>8,968</b>
<b>2023 NET OPERATING INCOME</b>	<b>(46,777)</b>	<b>(1,949)</b>	<b>22,711</b>	<b>946</b>	<b>44,078</b>	<b>1,837</b>	<b>38,886</b>	<b>1,620</b>	<b>38,886</b>	<b>1,620</b>
Debt Service	-	-	-	-	24,328	1,014	18,590	775	18,594	775
<b>2023 CASH FLOW</b>	<b>(46,777)</b>	<b>(1,949)</b>	<b>22,711</b>	<b>946</b>	<b>19,750</b>	<b>823</b>	<b>20,296</b>	<b>846</b>	<b>20,292</b>	<b>845</b>

**Sources and Uses 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
<b>SOURCES</b>										
Hard Debt										
Commercial Debt 1	-	-	-	-	423,340	17,639	224,593	9,358	323,564	13,482
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	720,000	30,000	720,000	30,000
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	16,018	667	24,418	1,017	24,418	1,017	24,418	1,017
Cash Escrows	-	-	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	143,465	5,978	150,500	6,271	149,909	6,246
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	888,927	37,039	1,863,809	77,659
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>16,018</b>	<b>667</b>	<b>591,223</b>	<b>24,634</b>	<b>2,008,439</b>	<b>83,685</b>	<b>3,081,700</b>	<b>128,404</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	720,000	30,000	720,000	30,000
Construction Costs	-	-	1,961,524	81,730	1,961,524	81,730	1,983,262	82,636	1,983,262	82,636
Soft Costs - Design & Construction	-	-	221,552	9,231	218,460	9,103	223,617	9,317	223,617	9,317
Soft Costs - Due Diligence	-	-	11,054	461	19,754	823	21,844	910	21,844	910
Soft Costs - Transaction Costs	-	-	36,518	1,522	116,518	4,855	240,441	10,018	240,441	10,018
Soft Costs - Financing	-	-	59,704	2,488	190,589	7,941	212,870	8,870	212,253	8,844
Soft Costs - Other	-	-	13,800	575	15,600	650	15,600	650	15,600	650
Soft Cost Contingency	-	-	17,131	714	28,046	1,169	31,742	1,323	31,242	1,302
Reserves	-	-	-	-	20,564	857	108,060	4,502	110,562	4,607
Developer Fee	-	-	163,215	6,801	358,663	14,944	376,250	15,677	374,772	15,615
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>2,484,499</b>	<b>103,521</b>	<b>2,929,718</b>	<b>122,072</b>	<b>3,933,686</b>	<b>163,904</b>	<b>3,933,592</b>	<b>163,900</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(2,468,481)</b>	<b>(102,853)</b>	<b>(2,338,495)</b>	<b>(97,437)</b>	<b>(1,925,247)</b>	<b>(80,219)</b>	<b>(851,892)</b>	<b>(35,495)</b>

**Scenario Pro Formas (continued)**

Florence S. Lord, 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
<b>FUNDS</b>										
Transaction Rehab	-	-	1,513,803	63,075	1,513,803	63,075	1,513,803	63,075	1,513,803	63,075
Capital Needs Funded Using Subsidy	743,799	30,992	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	-	-	-	-	-	-	-	-	-	-
Replacement Reserves	804,481	33,520	804,481	33,520	232,438	9,685	232,438	9,685	232,438	9,685
<b>Total Funds</b>	<b>1,548,279</b>	<b>64,512</b>	<b>2,318,284</b>	<b>96,595</b>	<b>1,746,241</b>	<b>72,760</b>	<b>1,746,241</b>	<b>72,760</b>	<b>1,746,241</b>	<b>72,760</b>
<b>USES</b>										
Estimated Capital Needs	1,513,803	63,075	1,513,803	63,075	1,513,803	63,075	1,513,803	63,075	1,513,803	63,075
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>1,513,803</b>	<b>63,075</b>	<b>1,513,803</b>	<b>63,075</b>	<b>1,513,803</b>	<b>63,075</b>	<b>1,513,803</b>	<b>63,075</b>	<b>1,513,803</b>	<b>63,075</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>34,476</b>	<b>1,437</b>	<b>804,481</b>	<b>33,520</b>	<b>232,438</b>	<b>9,685</b>	<b>232,438</b>	<b>9,685</b>	<b>232,438</b>	<b>9,685</b>

**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
<b>OPERATING SUBSIDY</b>										
Base Rent Operating Subsidy Needed	n/a	n/a	874,699	36,446	874,699	36,446	874,699	36,446	874,699	36,446
Operating Deficit Subsidy Needed	934,614	38,942	49,270	2,053	754	31	754	31	754	31
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
<b>Total Operating Subsidy</b>	<b>934,614</b>	<b>38,942</b>	<b>923,969</b>	<b>38,499</b>	<b>875,454</b>	<b>36,477</b>	<b>875,454</b>	<b>36,477</b>	<b>875,454</b>	<b>36,477</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	743,799	30,992	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(126,176)	(5,257)	(121,739)	(5,072)	(124,111)	(5,171)	(124,082)	(5,170)
Transaction Capital Subsidy Needed	n/a	n/a	2,468,481	102,853	2,338,495	97,437	1,925,247	80,219	851,892	35,495
<b>Total Capital Subsidy</b>	<b>743,799</b>	<b>30,992</b>	<b>2,342,305</b>	<b>97,596</b>	<b>2,216,756</b>	<b>92,365</b>	<b>1,801,136</b>	<b>75,047</b>	<b>727,810</b>	<b>30,325</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>1,678,413</b>	<b>69,934</b>	<b>3,266,273</b>	<b>136,095</b>	<b>3,092,210</b>	<b>128,842</b>	<b>2,676,589</b>	<b>111,525</b>	<b>1,603,263</b>	<b>66,803</b>