

## CHFA Capital Plan Property Assessment - Old Town Hall

### Property Identification

Old Town Hall  
DARIEN, CT

CHFA Property Identification #: 88004D  
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: 30  
Census Tract: 302.00  
Connecticut Congressional District: 4

### Property Description

Tenancy Type: Elderly/Disabled  
Structure Type: Garden/Townhouse  
Number of buildings: 5  
Maximum # of Stories: 2  
Elevator? None

#### Summary property description:

The Old Town Hall property has 10 efficiency or studio and 20 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as air conditioning, private patios, and a community room.

### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 1,470,137  
  
Capital Needs per Unit: \$ 49,005  
  
Projected Year 1 (2014) Operating Income: \$ (182)

Current operations at the property are projected to generate negative \$200 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 \$1.47 million (\$49,004 per unit) over the next 20 years.

Current average income relative to  
the Area Median Income (AMI): 23%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	245	11%
One-bedroom unit:	255	11%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	641	30%
One-bedroom unit:	687	30%
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: 20

Rental operating subsidy necessary in 2014 to  
generate revenue equal to raising the base rent  
as proposed: \$ 99,263

Total rental operating subsidy necessary  
assuming a turnover-based leasing strategy: \$ 580,048

In order for the property to operate in a sustainable manner into the foreseeable future, the property would benefit from greater revenues. This can happen in one of two ways - either the property could get operating subsidy from the state or federal government, or it could charge higher rents. A higher rent structure burdens low-income households to pay a greater their income for housing and it will require that the property serve tenants with modestly higher incomes.

Currently, base rents are set by the owner of each property, often in consultation with CHFA staff. While there varying definitions of affordability, this study considers a rent which exceeds 30% of a household's adjusted gross income to be burdensome on the household's monthly budget. In the table to the left, the base rent is identified for each unit size. The table also identifies the minimum household income level for which the base rent would be considered "affordable." The household income level is presented as a percentage of the local Area Median Income.

There are strong reasons to keep the base rents low, as low base rents provide affordable housing options for the state's lowest income residents and reduce the burden of operating subsidies on the State budget. However, if the property's revenue stream (including any available operating subsidy and any cross-subsidy from higher income residents) does not cover the cost of actually operating the property, including the cost of ongoing maintenance and capital improvements, the property itself is at risk.

The Capital Plan is intended to identify the real estate needs of the State Sponsored Housing Portfolio. In order to ensure a minimum revenue stream and in order to implement programmatic consistency regarding base rent levels, this analysis assumes that all base rents are adjusted in 2014 to equal the greater of a) the current base rent or b) 30% of the adjusted gross income of a household at 30% of AMI for the applicable household size, provided these levels do not exceed the local market. This base rent adjustment would represent a significant increase for some households. The analysis identifies the number of households that would be affected by such a change and the amount of operating subsidy needed to protect these households. If the owners elect not to raise the base rents as assumed in this analysis, the property is more likely to experience tight operating budgets towards the end of the Capital Plan subsidy period and will be less able to access leverage funding such as private debt.

Protecting the 20 Elderly/Disabled Households at risk in the event of a base rent increase is clearly a major concern. In 2014, the base rent increase creates the need for operating subsidy of \$99,262 to protect these households while generating the revenue equivalent to the proposed increase in the base rent.

This 2014 rental operating subsidy would recur annually, with inflation increases, for the next 20 years if the State determines that, as a policy matter, the property should continue serving households with an income profile equivalent to the current residents at the property. An alternative formulation assumes that, upon turnover, new residents would move in for whom the proposed base rent is affordable and tenant protection operating subsidies would no longer be necessary. This turnover strategy requires less operating subsidy from the State, but also reduces the number of units of housing available to the lowest income residents of the community. The total tenant protection operating subsidy associated with the increase in the base rent assuming that, on turnover, the units are leased to households able to pay the new base rent without assistance is \$580,048.

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Old Town Hall, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	20	20
25-50% of AMI	8	8
50% of AMI or greater	2	2
Total number of units	30	30

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:	641	641
One-bedroom unit:	687	687
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: \$ -

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: Old Town Hall

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(253,885)	(743,029)
Recoverable Grant Scenario:	(2,406,073)	(2,325,308)
CHFA/FHA Scenario:	(1,403,411)	(1,621,940)
4% LIHTC Scenario:	(742,875)	(1,010,246)
9% LIHTC Scenario:	384,062	(239,363)

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**

Old Town Hall, continued

Recommended Transaction Option:	4% LIHTC	<p>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 2019 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.</p> <p>This property has been underwritten assuming replacement reserve deposits of \$350 per unit per year, assuming debt service coverage is maintained over 1.615 throughout the first 15 years of the new financing, and assuming hard construction capital needs of \$1.47 million.</p>
Recommended Transaction Year	2019	
Replacement Reserve Deposit PUPY:	350	
Debt Service Coverage in Transaction Year:	1.200	
Debt Service Coverage in Transaction Year 15:	1.615	
Pre-Transaction Capital Subsidy Needed:	-	<p>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.</p>
Transaction Capital Subsidy Needed:	742,875	

**Summary of Recommended Transaction**

Under the 4% LIHTC scenario, the property yields \$126,123 in NOI in the transaction completion year, which includes \$350 per unit per year in replacement reserve deposits. After debt service, the property generates \$44,805 in cash flow in the capital transaction's completion year, trending to \$49,985 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 \$1,261,000 in debt and \$1,113,000 in equity. The transaction results in a gap of \$742,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over \$743,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over \$2,406,000 if the capital needs are addressed in a consolidated transaction relying entirely on State capital subsidy.

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

Old Town Hall, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 0  
 Current Routine Capital Needs: 158,280

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	158,280	-	-	-	-	-
2014	6,181	-	-	-	99,263	-
2015	25,320	-	-	-	91,123	-
2016	59,255	-	-	-	82,618	(0)
2017	56,638	-	-	-	73,737	(0)
2018	73,474	-	-	-	64,467	(0)
2019	51,062	-	742,875	-	54,797	-
2020	29,466	-	-	-	44,714	-
2021	133,107	-	-	-	34,206	-
2022	66,225	-	-	-	23,260	-

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	128,226	-	-	-	11,863	-
2024	8,307	-	-	-	-	-
2025	84,560	-	-	-	-	-
2026	94,428	-	-	-	-	-
2027	89,244	-	-	-	-	-
2028	32,506	-	-	-	-	-
2029	28,886	-	-	-	-	-
2030	105,962	-	-	-	-	-
2031	83,826	-	-	-	-	-
2032	155,184	-	-	-	-	-

**Scenario Pro Formas**

Old Town Hall, 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	199,308	6,643.60	345,152	11,505.07	345,152	11,505	345,152	11,505	345,152	11,505
Vacancy/Loss	(1,368)	(45.59)	(1,368)	(45.59)	(17,258)	(575)	(24,161)	(805)	(24,161)	(805)
Other Income	5,356	178.54	5,356	178.54	5,356	179	5,356	179	5,356	179
<b>Effective Gross Income</b>	<b>203,297</b>	<b>6,776.55</b>	<b>349,141</b>	<b>11,638.02</b>	<b>333,251</b>	<b>11,108</b>	<b>326,348</b>	<b>10,878</b>	<b>326,348</b>	<b>10,878</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	172,459	5,749	189,916	6,331	183,565	6,119	183,219	6,107	183,219	6,107
Replacement Reserve Deposits	54,250	1,808	54,250	1,808	14,945	498	14,945	498	14,945	498
<b>Total Operating Expenses</b>	<b>226,709</b>	<b>7,557</b>	<b>244,166</b>	<b>8,139</b>	<b>198,509</b>	<b>6,617</b>	<b>198,164</b>	<b>6,605</b>	<b>198,164</b>	<b>6,605</b>
<b>2023 NET OPERATING INCOME</b>	<b>(23,413)</b>	<b>(780)</b>	<b>104,974</b>	<b>3,499</b>	<b>134,741</b>	<b>4,491</b>	<b>128,183</b>	<b>4,273</b>	<b>128,183</b>	<b>4,273</b>
Debt Service	-	-	-	-	80,782	2,693	81,318	2,711	77,009	2,567
<b>2023 CASH FLOW</b>	<b>(23,413)</b>	<b>(780)</b>	<b>104,974</b>	<b>3,499</b>	<b>53,959</b>	<b>1,799</b>	<b>46,865</b>	<b>1,562</b>	<b>51,174</b>	<b>1,706</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	-	-	-	-	1,405,721	46,857	1,261,236	42,041	1,340,063	44,669
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	1,576,544	52,551	1,576,544	52,551
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	7,464	249	17,964	599	17,964	599	17,964	599
Cash Escrows	-	-	232,740	7,758	176,405	5,880	176,405	5,880	176,405	5,880
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	153,161	5,105	161,681	5,389	161,013	5,367
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,113,724	37,124	2,159,376	71,979
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>240,204</b>	<b>8,007</b>	<b>1,753,252</b>	<b>58,442</b>	<b>4,307,554</b>	<b>143,585</b>	<b>5,431,365</b>	<b>181,046</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	1,576,544	52,551	1,576,544	52,551
Construction Costs	-	-	2,097,615	69,920	2,097,615	69,920	2,120,860	70,695	2,120,860	70,695
Soft Costs - Design & Construction	-	-	236,056	7,869	232,750	7,758	238,264	7,942	238,264	7,942
Soft Costs - Due Diligence	-	-	11,517	384	20,517	684	23,937	798	23,937	798
Soft Costs - Transaction Costs	-	-	27,964	932	107,964	3,599	233,200	7,773	233,200	7,773
Soft Costs - Financing	-	-	64,184	2,139	214,749	7,158	260,016	8,667	258,781	8,626
Soft Costs - Other	-	-	17,250	575	19,500	650	19,500	650	19,500	650
Soft Cost Contingency	-	-	17,849	595	29,774	992	34,545	1,151	33,979	1,133
Reserves	-	-	-	-	50,891	1,696	139,360	4,645	139,705	4,657
Developer Fee	-	-	173,843	5,795	382,903	12,763	404,204	13,473	402,533	13,418
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>2,646,277</b>	<b>88,209</b>	<b>3,156,663</b>	<b>105,222</b>	<b>5,050,429</b>	<b>168,348</b>	<b>5,047,303</b>	<b>168,243</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(2,406,073)</b>	<b>(80,202)</b>	<b>(1,403,411)</b>	<b>(46,780)</b>	<b>(742,875)</b>	<b>(24,762)</b>	<b>384,062</b>	<b>12,802</b>

**Scenario Pro Formas (continued)**

Old Town Hall, 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	-	-	1,618,831	53,961	1,618,831	53,961	1,618,831	53,961	1,618,831	53,961
Capital Needs Funded Using Subsidy	253,885	8,463	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	161,553	5,385	161,553	5,385	161,553	5,385	161,553	5,385	161,553	5,385
Replacement Reserves	1,054,699	35,157	1,054,699	35,157	290,548	9,685	290,548	9,685	290,548	9,685
<b>Total Funds</b>	<b>1,470,137</b>	<b>49,005</b>	<b>2,835,082</b>	<b>94,503</b>	<b>2,070,932</b>	<b>69,031</b>	<b>2,070,932</b>	<b>69,031</b>	<b>2,070,932</b>	<b>69,031</b>
<b>USES</b>										
Estimated Capital Needs	1,470,137	49,005	1,470,137	49,005	1,470,137	49,005	1,470,137	49,005	1,470,137	49,005
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>1,470,137</b>	<b>49,005</b>	<b>1,470,137</b>	<b>49,005</b>	<b>1,470,137</b>	<b>49,005</b>	<b>1,470,137</b>	<b>49,005</b>	<b>1,470,137</b>	<b>49,005</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>-</b>	<b>-</b>	<b>1,364,945</b>	<b>45,498</b>	<b>600,795</b>	<b>20,026</b>	<b>600,795</b>	<b>20,026</b>	<b>600,795</b>	<b>20,026</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	580,048	19,335	580,048	19,335	580,048	19,335	580,048	19,335
Operating Deficit Subsidy Needed	489,144	16,305	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Total Operating Subsidy</b>	<b>489,144</b>	<b>16,305</b>	<b>580,048</b>	<b>19,335</b>	<b>580,048</b>	<b>19,335</b>	<b>580,048</b>	<b>19,335</b>	<b>580,048</b>	<b>19,335</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	253,885	8,463	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(660,813)	(22,027)	(361,519)	(12,051)	(312,677)	(10,423)	(340,685)	(11,356)
Transaction Capital Subsidy Needed	n/a	n/a	2,406,073	80,202	1,403,411	46,780	742,875	24,762	-	-
<b>Total Capital Subsidy</b>	<b>253,885</b>	<b>8,463</b>	<b>1,745,260</b>	<b>58,175</b>	<b>1,041,892</b>	<b>34,730</b>	<b>430,198</b>	<b>14,340</b>	<b>(340,685)</b>	<b>(11,356)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>743,029</b>	<b>24,768</b>	<b>2,325,308</b>	<b>77,510</b>	<b>1,621,940</b>	<b>54,065</b>	<b>1,010,246</b>	<b>33,675</b>	<b>239,363</b>	<b>7,979</b>