

CHFA Capital Plan Property Assessment - Adams Garden Apartments

Property Identification

Adams Garden Apartments
GREENWICH, CT

Total Current Unit Count: 80
Census Tract: 101.01
Connecticut Congressional District: 4

CHFA Property Identification #: 85059D
Current State Sponsored Housing Program: 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: Garden/Townhouse
Number of buildings: 9
Maximum # of Stories: 2
Elevator? None

Summary property description:

The Adams Garden Apartments property has 2 one-bedroom, 60 two-bedroom and 18 three-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as an outdoor playground and basketball court, as well as a community room and a business center/computer room.

Current Operating & Capital Needs Status

Aggregate Capital Needs
(without market enhancements): \$ 5,098,066

Capital Needs per Unit: \$ 63,726

Projected Year 1 (2014) Operating Income: \$ 179,008

Current operations at the property are projected to generate roughly \$179,000 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 results in negative NOI beginning in 2037. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately \$5.1 million (\$63,725 per unit) over the next 20 years.

Revenue Adjustments Prior to a Recapitalization Transaction

Adams Garden Apartments, continued

Current average income relative to
the Area Median Income (AMI): 33%

| | Current Base Rent | Affordability (% AMI) |
|-------------------------|----------------------|--------------------------|
| Studio/efficiency unit: | | |
| One-bedroom unit: | 412 | 18% |
| Two-bedroom unit: | 465 | 17% |
| Three-bedroom unit: | 513 | 16% |
| Four-bedroom unit: | | |
| Five-bedroom unit: | | |
| Six-bedroom unit: | | |

| | Proposed Base Rent | Affordability (% AMI) |
|-------------------------|-----------------------|--------------------------|
| Studio/efficiency unit: | | |
| One-bedroom unit: | 412 | 18% |
| Two-bedroom unit: | 465 | 17% |
| Three-bedroom unit: | 513 | 16% |
| 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

Total rental operating subsidy necessary
assuming a turnover-based leasing strategy: n/a

Revenue Adjustments Concurrent with a Recapitalization Transaction

Adams Garden Apartments, continued

| Household Income Level | Current Income Mix | Proposed Income Mix |
|------------------------|-----------------------|------------------------|
| 0-25% of AMI | 29 | 29 |
| 25-50% of AMI | 41 | 41 |
| 50% of AMI or greater | 10 | 10 |
| Total number of units | 80 | 80 |

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: | 412 | 412 |
| Two-bedroom unit: | 465 | 465 |
| Three-bedroom unit: | 513 | 513 |
| 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

Transitional rental operating subsidy necessary to protect current residents and permit a five-year transition to income tier occupancy: n/a

Property used for market reference: Adams Garden Apts

Transaction Options

Adams Garden Apartments, continued

| | Capital Surplus or (Gap) | Total (Gap) Funded by Subsidy inc. Capital & Operating |
|--|-----------------------------|--|
| Current Scenario (excluding transaction costs): | (607,181) | (607,181) |
| Recoverable Grant Scenario: | (8,291,953) | (7,188,718) |
| CHFA/FHA Scenario: | (5,620,967) | (5,796,415) |
| 4% LIHTC Scenario: | (3,601,462) | (3,878,488) |
| 9% LIHTC Scenario: | (98,889) | (316,799) |

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

Adams Garden Apartments, 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 | |
| Replacement Reserve Deposit PUPY: | 780 | 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 \$607,181 over the course of the next 20 years. |
| 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 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. |
| Pre-Transaction Capital Subsidy Needed: | 607,181 | |
| 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 has a stable operating income and expense foundation and needs little or no additional operating support. Under the Current scenario, the property yields \$179,008 in NOI in the current year, which includes \$780 per unit per year in replacement reserve deposits, trending to \$97,628 fifteen years thereafter. The transaction results in a capital subsidy need of \$607,000, 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

Adams Garden Apartments, continued

Immediate Emergency Capital Needs: 0
 Current Deferred Capital Needs: 90,284
 Current Routine Capital Needs: 209,054

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 | 299,338 | - | - | - | - | - |
| 2014 | 335,973 | 69,226 | - | - | - | - |
| 2015 | 341,384 | 100,986 | - | - | - | - |
| 2016 | 367,142 | 127,955 | - | - | - | - |
| 2017 | 461,886 | 224,115 | - | - | - | - |
| 2018 | 306,797 | 70,655 | - | - | - | - |
| 2019 | 248,532 | 14,244 | - | - | - | - |
| 2020 | 59,994 | - | - | - | - | - |
| 2021 | 80,674 | - | - | - | - | - |
| 2022 | 159,292 | - | - | - | - | - |

| 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 | 161,652 | - | - | - | - | - |
| 2024 | 182,084 | - | - | - | - | - |
| 2025 | 227,215 | - | - | - | - | - |
| 2026 | 229,125 | - | - | - | - | - |
| 2027 | 291,636 | - | - | - | - | - |
| 2028 | 366,169 | - | - | - | - | - |
| 2029 | 338,385 | - | - | - | - | - |
| 2030 | 161,635 | - | - | - | - | - |
| 2031 | 222,624 | - | - | - | - | - |
| 2032 | 256,528 | - | - | - | - | - |

Scenario Pro Formas

Adams Garden Apartments, 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 |
| 2023 ANNUAL INCOME | | | | | | | | | | |
| Gross Potential Rent | 966,967 | 12,087.09 | 1,197,233 | 14,965.42 | 1,197,233 | 14,965 | 1,197,233 | 14,965 | 1,197,233 | 14,965 |
| Vacancy/Loss | (5,615) | (70.19) | (5,615) | (70.19) | (59,862) | (748) | (83,806) | (1,048) | (83,806) | (1,048) |
| Other Income | 25,519 | 318.98 | 25,519 | 318.98 | 25,519 | 319 | 25,519 | 319 | 25,519 | 319 |
| Effective Gross Income | 986,871 | 12,335.88 | 1,217,137 | 15,214.21 | 1,162,890 | 14,536 | 1,138,946 | 14,237 | 1,138,946 | 14,237 |
| 2023 ANNUAL EXPENSES | | | | | | | | | | |
| Operating Expenses | 762,452 | 9,531 | 823,309 | 10,291 | 800,694 | 10,009 | 799,496 | 9,994 | 799,496 | 9,994 |
| Replacement Reserve Deposits | 88,823 | 1,110 | 88,823 | 1,110 | 48,393 | 605 | 48,393 | 605 | 39,853 | 498 |
| Total Operating Expenses | 851,275 | 10,641 | 912,132 | 11,402 | 849,086 | 10,614 | 847,889 | 10,599 | 839,349 | 10,492 |
| 2023 NET OPERATING INCOME | 135,596 | 1,695 | 305,005 | 3,813 | 313,804 | 3,923 | 291,057 | 3,638 | 299,597 | 3,745 |
| Debt Service | - | - | - | - | 195,084 | 2,439 | 185,616 | 2,320 | 186,709 | 2,334 |
| 2023 CASH FLOW | 135,596 | 1,695 | 305,005 | 3,813 | 118,721 | 1,484 | 105,440 | 1,318 | 112,887 | 1,411 |

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 |
| SOURCES | | | | | | | | | | |
| Hard Debt | | | | | | | | | | |
| Commercial Debt 1 | - | - | - | - | 3,394,719 | 42,434 | 2,984,878 | 37,311 | 3,248,995 | 40,612 |
| Commercial Debt 2 | - | - | - | - | - | - | - | - | - | - |
| Tax-Exempt Bond | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Soft Debt | | | | | | | | | | |
| Seller Financing/Take Back Note | - | - | - | - | - | - | 3,731,098 | 46,639 | 3,822,347 | 47,779 |
| State | - | - | - | - | - | - | - | - | - | - |
| Local | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Other | | | | | | | | | | |
| From Operations | - | - | 23,618 | 295 | 57,618 | 720 | 57,618 | 720 | 51,618 | 645 |
| Cash Escrows | - | - | 378,578 | 4,732 | 350,172 | 4,377 | 350,172 | 4,377 | 344,172 | 4,302 |
| Grant | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer Fee | - | - | - | - | 482,002 | 6,025 | 499,117 | 6,239 | 497,251 | 6,216 |
| Equity | | | | | | | | | | |
| GP Contribution | - | - | - | - | - | - | - | - | - | - |
| LIHTC | - | - | - | - | - | - | 3,205,039 | 40,063 | 6,444,140 | 80,552 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total Sources of Funds | - | - | 402,196 | 5,027 | 4,284,511 | 53,556 | 10,827,922 | 135,349 | 14,408,522 | 180,107 |
| USES | | | | | | | | | | |
| Acquisition Costs | - | - | - | - | - | - | 3,731,098 | 46,639 | 3,822,347 | 47,779 |
| Construction Costs | - | - | 6,996,244 | 87,453 | 6,879,258 | 85,991 | 6,955,492 | 86,944 | 6,955,492 | 86,944 |
| Soft Costs - Design & Construction | - | - | 753,190 | 9,415 | 731,633 | 9,145 | 748,575 | 9,357 | 748,575 | 9,357 |
| Soft Costs - Due Diligence | - | - | 19,895 | 249 | 31,255 | 391 | 39,824 | 498 | 39,933 | 499 |
| Soft Costs - Transaction Costs | - | - | 44,118 | 551 | 124,118 | 1,551 | 295,481 | 3,694 | 295,481 | 3,694 |
| Soft Costs - Financing | - | - | 209,899 | 2,624 | 670,206 | 8,378 | 770,903 | 9,636 | 770,420 | 9,630 |
| Soft Costs - Other | - | - | 46,000 | 575 | 52,000 | 650 | 52,000 | 650 | 52,000 | 650 |
| Soft Cost Contingency | - | - | 53,655 | 671 | 80,461 | 1,006 | 87,050 | 1,088 | 85,471 | 1,068 |
| Reserves | - | - | - | - | 131,542 | 1,644 | 501,169 | 6,265 | 494,566 | 6,182 |
| Developer Fee | - | - | 571,148 | 7,139 | 1,205,006 | 15,063 | 1,247,791 | 15,597 | 1,243,126 | 15,539 |
| Total Uses of Funds | - | - | 8,694,149 | 108,677 | 9,905,478 | 123,818 | 14,429,384 | 180,367 | 14,507,411 | 181,343 |
| TRANSACTION SURPLUS (GAP) | - | - | (8,291,953) | (103,649) | (5,620,967) | (70,262) | (3,601,462) | (45,018) | (98,889) | (1,236) |

Scenario Pro Formas (continued)

Adams Garden Apartments, 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 | - | - | 5,399,339 | 67,492 | 5,309,055 | 66,363 | 5,309,055 | 66,363 | 5,309,055 | 66,363 |
| Capital Needs Funded Using Subsidy | 607,181 | 7,590 | - | - | - | - | - | - | - | - |
| Existing Replacement Reserve Balance | 324,672 | 4,058 | 324,672 | 4,058 | 324,672 | 4,058 | 324,672 | 4,058 | 324,672 | 4,058 |
| Replacement Reserves | 4,183,843 | 52,298 | 1,726,849 | 21,586 | 940,822 | 11,760 | 940,822 | 11,760 | 774,794 | 9,685 |
| Total Funds | 5,115,696 | 63,946 | 7,450,860 | 93,136 | 6,574,549 | 82,182 | 6,574,549 | 82,182 | 6,408,522 | 80,107 |
| USES | | | | | | | | | | |
| Estimated Capital Needs | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 |
| Enhancements | - | - | - | - | - | - | - | - | - | - |
| Total Uses | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 | 5,098,066 | 63,726 |
| YEAR 20 REPLACEMENT RESERVE BALANCE | 17,630 | 220 | 2,352,794 | 29,410 | 1,476,483 | 18,456 | 1,476,483 | 18,456 | 1,310,456 | 16,381 |

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 | 946,835 | 11,835 | 946,835 | 11,835 | 946,835 | 11,835 | 946,835 | 11,835 |
| Operating Deficit Subsidy Needed | 0 | - | - | - | 0 | - | 0 | - | 0 | - |
| Income Mixing Operating Subsidy Needed | n/a | n/a | - | - | - | - | - | - | - | - |
| Total Operating Subsidy | - | - | 946,835 | 11,835 | 946,835 | 11,835 | 946,835 | 11,835 | 946,835 | 11,835 |
| CAPITAL SUBSIDY | | | | | | | | | | |
| Pre-Transaction Capital Subsidy Needed | 607,181 | 7,590 | - | - | - | - | - | - | - | - |
| Recoverable Cash Flow | n/a | n/a | (2,050,070) | (25,626) | (771,387) | (9,642) | (669,809) | (8,373) | (728,925) | (9,112) |
| Transaction Capital Subsidy Needed | n/a | n/a | 8,291,953 | 103,649 | 5,620,967 | 70,262 | 3,601,462 | 45,018 | 98,889 | 1,236 |
| Total Capital Subsidy | 607,181 | 7,590 | 6,241,883 | 78,024 | 4,849,580 | 60,620 | 2,931,653 | 36,646 | (630,036) | (7,875) |
| TOTAL SUBSIDY NEEDED | 607,181 | 7,590 | 7,188,718 | 89,859 | 5,796,415 | 72,455 | 3,878,488 | 48,481 | 316,799 | 3,960 |