

### CHFA Capital Plan Property Assessment - Ashland Manor

#### Property Identification

Ashland Manor  
GRISWOLD, CT

Total Current Unit Count: 30  
Census Tract: 7092.00  
Connecticut Congressional District: 2

CHFA Property Identification #: 85062D  
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.

#### Property Description

Tenancy Type: Elderly/Disabled  
Structure Type: Row House  
Number of buildings: 10  
Maximum # of Stories: 1  
Elevator? None

Summary property description:

The Ashland Manor property has 22 efficiency or studio and 8 one-bedroom units. Generally, the property consists of relatively small units. It features amenities such as central air conditioning, a community room, and meal services.

#### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 904,695  
  
Capital Needs per Unit: \$ 30,157  
  
Projected Year 1 (2014) Operating Income: \$ (13,518)

Current operations at the property are projected to generate negative \$13,500 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 \$0.9 million (\$30,156 per unit) over the next 20 years.

Current average income relative to  
the Area Median Income (AMI): 19%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	55	4%
One-bedroom unit:	55	4%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	375	26%
One-bedroom unit:	466	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: 25

Rental operating subsidy necessary in 2014 to  
generate revenue equal to raising the base rent  
as proposed: \$ 87,396

Total rental operating subsidy necessary  
assuming a turnover-based leasing strategy: \$ 510,705

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 percentage of 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 25 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 \$87,396 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 \$510,705.

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Ashland Manor, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	25	25
25-50% of AMI	5	5
50% of AMI or greater	0	0
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:	375	375
One-bedroom unit:	466	466
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: Ashland Manor

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(438,500)	(939,248)
Recoverable Grant Scenario:	(1,489,088)	(1,536,557)
CHFA/FHA Scenario:	(1,030,009)	(1,384,176)
4% LIHTC Scenario:	(610,345)	(1,002,602)
9% LIHTC Scenario:	148,281	(364,301)

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**

Ashland Manor, continued

Recommended Transaction Option:	CHFA/FHA	The capital plan recommends using the debt-only scenario to finance the capital needs at this property. The property has positive NOI which can leverage debt sufficient to cover the long-term capital needs without the complexity of a tax credit transaction.
Recommended Transaction Year	2020	
Replacement Reserve Deposit PUPY:	350	This analysis has suggested a potential transaction year of 2020 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.
Debt Service Coverage in Transaction Year:	1.200	
Debt Service Coverage in Transaction Year 15:	1.617	This property has been underwritten assuming replacement reserve deposits of \$350 per unit per year, assuming debt service coverage is maintained over 1.617 throughout the first 15 years of the new financing, and assuming hard construction capital needs of \$0.9 million.
Pre-Transaction Capital Subsidy Needed:	-	
Transaction Capital Subsidy Needed:	1,030,009	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.

**Summary of Recommended Transaction**

Under the CHFA/FHA scenario, the property yields \$65,511 in NOI in the transaction completion year, which includes \$350 per unit per year in replacement reserve deposits. After debt service, the property generates \$25,511 in cash flow in the capital transaction's completion year, trending to \$24,676 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 \$696,000 in debt. The transaction results in a gap of \$1,030,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over \$939,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over \$1,489,000 if the capital needs are addressed in a consolidated transaction relying entirely on State capital subsidy.

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

Ashland Manor, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 0  
 Current Routine Capital Needs: 73,756

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	73,756	-	-	-	-	-
2014	13,998	-	-	-	87,396	-
2015	1,422	-	-	-	80,230	-
2016	1,464	-	-	-	72,741	-
2017	4,071	-	-	-	64,922	-
2018	7,608	-	-	-	56,760	-
2019	4,319	-	-	-	48,246	-
2020	4,448	-	1,030,009	-	39,369	-
2021	4,582	-	-	-	30,117	-
2022	13,061	-	-	-	20,480	(0)

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	89,069	-	-	-	10,445	-
2024	103,722	-	-	-	-	-
2025	82,617	-	-	-	-	-
2026	54,020	-	-	-	-	-
2027	91,994	-	-	-	-	-
2028	57,310	-	-	-	-	-
2029	9,896	-	-	-	-	-
2030	15,061	-	-	-	-	-
2031	10,499	-	-	-	-	-
2032	261,779	-	-	-	-	-

**Scenario Pro Formas**

Ashland Manor, 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	71,711	2,390.38	182,389	6,079.63	182,389	6,080	182,389	6,080	182,389	6,080
Vacancy/Loss	-	-	-	-	(9,119)	(304)	(12,767)	(426)	(12,767)	(426)
Other Income	2,448	81.60	2,448	81.60	2,448	82	2,448	82	2,448	82
<b>Effective Gross Income</b>	<b>74,159</b>	<b>2,471.98</b>	<b>184,837</b>	<b>6,161.23</b>	<b>175,717</b>	<b>5,857</b>	<b>172,070</b>	<b>5,736</b>	<b>172,070</b>	<b>5,736</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	88,410	2,947	97,651	3,255	94,847	3,162	94,664	3,155	94,664	3,155
Replacement Reserve Deposits	11,120	371	11,120	371	14,945	498	14,945	498	14,945	498
<b>Total Operating Expenses</b>	<b>99,530</b>	<b>3,318</b>	<b>108,772</b>	<b>3,626</b>	<b>109,792</b>	<b>3,660</b>	<b>109,609</b>	<b>3,654</b>	<b>109,609</b>	<b>3,654</b>
<b>2023 NET OPERATING INCOME</b>	<b>(25,371)</b>	<b>(846)</b>	<b>76,065</b>	<b>2,536</b>	<b>65,926</b>	<b>2,198</b>	<b>62,461</b>	<b>2,082</b>	<b>62,461</b>	<b>2,082</b>
Debt Service	-	-	-	-	40,000	1,333	42,626	1,421	37,967	1,266
<b>2023 CASH FLOW</b>	<b>(25,371)</b>	<b>(846)</b>	<b>76,065</b>	<b>2,536</b>	<b>25,926</b>	<b>864</b>	<b>19,835</b>	<b>661</b>	<b>24,494</b>	<b>816</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	-	-	-	-	696,060	23,202	621,807	20,727	660,670	22,022
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	900,000	30,000	900,000	30,000
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	9,553	318	20,053	668	20,053	668	20,053	668
Cash Escrows	-	-	274,389	9,146	282,777	9,426	282,777	9,426	282,777	9,426
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	103,663	3,455	110,487	3,683	110,009	3,667
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	728,139	24,271	1,445,785	48,193
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>283,942</b>	<b>9,465</b>	<b>1,102,552</b>	<b>36,752</b>	<b>2,663,262</b>	<b>88,775</b>	<b>3,419,293</b>	<b>113,976</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	900,000	30,000	900,000	30,000
Construction Costs	-	-	1,382,176	46,073	1,382,176	46,073	1,397,493	46,583	1,397,493	46,583
Soft Costs - Design & Construction	-	-	159,807	5,327	157,629	5,254	161,262	5,375	161,262	5,375
Soft Costs - Due Diligence	-	-	10,659	355	19,659	655	22,257	742	22,257	742
Soft Costs - Transaction Costs	-	-	30,053	1,002	110,053	3,668	228,386	7,613	228,386	7,613
Soft Costs - Financing	-	-	43,543	1,451	131,948	4,398	161,529	5,384	160,362	5,345
Soft Costs - Other	-	-	17,250	575	19,500	650	19,500	650	19,500	650
Soft Cost Contingency	-	-	13,066	436	21,939	731	26,046	868	25,642	855
Reserves	-	-	-	-	30,500	1,017	80,917	2,697	81,087	2,703
Developer Fee	-	-	116,476	3,883	259,158	8,639	276,216	9,207	275,023	9,167
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>1,773,030</b>	<b>59,101</b>	<b>2,132,561</b>	<b>71,085</b>	<b>3,273,607</b>	<b>109,120</b>	<b>3,271,012</b>	<b>109,034</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(1,489,088)</b>	<b>(49,636)</b>	<b>(1,030,009)</b>	<b>(34,334)</b>	<b>(610,345)</b>	<b>(20,345)</b>	<b>148,281</b>	<b>4,943</b>

**Scenario Pro Formas (continued)**

Ashland Manor, 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	-	-	1,066,692	35,556	1,066,692	35,556	1,066,692	35,556	1,066,692	35,556
Capital Needs Funded Using Subsidy	438,500	14,617	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	250,000	8,333	250,000	8,333	250,000	8,333	250,000	8,333	250,000	8,333
Replacement Reserves	216,195	7,207	216,195	7,207	290,548	9,685	290,548	9,685	290,548	9,685
<b>Total Funds</b>	<b>904,695</b>	<b>30,157</b>	<b>1,532,888</b>	<b>51,096</b>	<b>1,607,240</b>	<b>53,575</b>	<b>1,607,240</b>	<b>53,575</b>	<b>1,607,240</b>	<b>53,575</b>
<b>USES</b>										
Estimated Capital Needs	904,695	30,157	904,695	30,157	904,695	30,157	904,695	30,157	904,695	30,157
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>904,695</b>	<b>30,157</b>	<b>904,695</b>	<b>30,157</b>	<b>904,695</b>	<b>30,157</b>	<b>904,695</b>	<b>30,157</b>	<b>904,695</b>	<b>30,157</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>-</b>	<b>-</b>	<b>628,192</b>	<b>20,940</b>	<b>702,545</b>	<b>23,418</b>	<b>702,545</b>	<b>23,418</b>	<b>702,545</b>	<b>23,418</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	510,705	17,024	510,705	17,024	510,705	17,024	510,705	17,024
Operating Deficit Subsidy Needed	500,748	16,692	-	-	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>500,748</b>	<b>16,692</b>	<b>510,705</b>	<b>17,024</b>	<b>510,705</b>	<b>17,024</b>	<b>510,705</b>	<b>17,024</b>	<b>510,705</b>	<b>17,024</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	438,500	14,617	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(463,237)	(15,441)	(156,538)	(5,218)	(118,448)	(3,948)	(146,404)	(4,880)
Transaction Capital Subsidy Needed	n/a	n/a	1,489,088	49,636	1,030,009	34,334	610,345	20,345	-	-
<b>Total Capital Subsidy</b>	<b>438,500</b>	<b>14,617</b>	<b>1,025,852</b>	<b>34,195</b>	<b>873,471</b>	<b>29,116</b>	<b>491,897</b>	<b>16,397</b>	<b>(146,404)</b>	<b>(4,880)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>939,248</b>	<b>31,308</b>	<b>1,536,557</b>	<b>51,219</b>	<b>1,384,176</b>	<b>46,139</b>	<b>1,002,602</b>	<b>33,420</b>	<b>364,301</b>	<b>12,143</b>