

CHFA Capital Plan Property Assessment - Hamden Village, Hamden Village Extension

Property Identification

Hamden Village, Hamden Village Extension
HAMDEN, CT

Total Current Unit Count: 110
Census Tract: 1654.00
Connecticut Congressional District: 3

CHFA Property Identification #: 85070D, 85071D

Current State Sponsored Housing Program: SH Elderly

This property was originally financed in phases and appears in CHFA's records as two 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: 16
Maximum # of Stories: 2
Elevator? None

Summary property description:

The Hamden Village property has 80 efficiency or studio and 30 one-bedroom units. Generally, the property consists of relatively small units. It features amenities such as central air conditioning, a business center/computer room, a community room, and meal service.

Current Operating & Capital Needs Status

Aggregate Capital Needs
(without market enhancements): \$ 3,446,777

Capital Needs per Unit: \$ 31,334

Projected Year 1 (2014) Operating Income: \$ 25,091

Current operations at the property are projected to generate roughly \$25,100 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 2020. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately \$3.45 million (\$31,334 per unit) over the next 20 years.

Owner Comments to Property Assessment:

CNA Comments:

Hamden Village Cottages: Roof and Gutters, as well as Vinyl Siding, should be replaced early in the plan. Windows should be replaced early in the plan. Kitchen and Bathroom Exhaust Fans should also be replaced early in the plan.
Hamden Village 2 Story Building: Siding and Gutters should be done in Year 3.

RECAP Response: The comment period for issues related to the CNAs occurred when the draft CNAs were distributed to the person designated by the owner to review the CNA several months ago, so we are not able to revise CNAs at this time. However, given that the CNA impacts the property analysis, Recap has included the owner comments regarding the CNA to the property assessment so their concerns will be noted.

Revenue Adjustments Prior to a Recapitalization Transaction

Hamden Village, Hamden Village Extension, continued

Current average income relative to
the Area Median Income (AMI): 25%

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 may want to consider an adjustment in the property's base rent in order to avoid future budget problems.

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	200	14%
One-bedroom unit:	210	14%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	435	30%
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: 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

Hamden Village, Hamden Village Extension, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	71	71
25-50% of AMI	32	32
50% of AMI or greater	7	7
Total number of units	110	110

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:	435	435
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: 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: Hamden Village

Transaction Options

Hamden Village, Hamden Village Extension, continued

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(2,208,557)	(2,778,298)
Recoverable Grant Scenario:	(5,312,100)	(8,185,981)
CHFA/FHA Scenario:	(3,622,584)	(7,661,720)
4% LIHTC Scenario:	(2,225,354)	(6,205,205)
9% LIHTC Scenario:	(19,063)	(3,967,442)

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

Hamden Village, Hamden Village Extension, 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 \$2,778,298 over the course of the next 20 years.
Replacement Reserve Deposit PUPY:	352	
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 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:	2,208,557	
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 \$25,091 in NOI in the current year, which includes \$352 per unit per year in replacement reserve deposits, trending to negative \$783 fifteen years thereafter. The transaction results in a capital subsidy need of \$2,208,557, which would need to be covered by State capital subsidy. Given that the "Current Scenario" assumes a dependence on state subsidy on an ongoing 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

Hamden Village, Hamden Village Extension, continued

Immediate Emergency Capital Needs: 0
 Current Deferred Capital Needs: 154,000
 Current Routine Capital Needs: 300,465

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	454,465	370,686	-	-	-	-
2014	65,420	1,656	-	-	201,942	-
2015	66,051	4,842	-	-	205,981	-
2016	71,613	13,123	-	-	210,100	-
2017	260,909	205,312	-	-	214,302	-
2018	119,976	67,452	-	-	218,589	-
2019	83,262	33,998	-	-	222,960	-
2020	123,975	75,043	-	3,122	227,419	-
2021	127,087	76,197	-	8,736	231,968	-
2022	124,556	71,631	-	14,638	236,607	-

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	495,986	440,944	-	20,840	241,339	-
2024	177,039	119,794	-	27,355	246,166	-
2025	144,682	85,148	-	34,193	251,089	-
2026	149,016	87,101	-	41,368	256,111	-
2027	170,766	106,374	-	48,894	261,234	-
2028	152,563	85,595	-	56,783	266,458	-
2029	117,291	47,645	-	65,051	271,787	-
2030	119,067	46,635	-	73,711	277,223	-
2031	291,162	215,833	-	82,779	282,768	-
2032	131,892	53,549	-	92,270	288,423	-

Scenario Pro Formas

Hamden Village, Hamden Village Extension, 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	534,810	4,861.91	818,913	7,444.66	818,913	7,445	818,913	7,445	818,913	7,445
Vacancy/Loss	(12,279)	(111.63)	(12,279)	(111.63)	(40,946)	(372)	(57,324)	(521)	(57,324)	(521)
Other Income	11,324	102.95	11,324	102.95	11,324	103	11,324	103	11,324	103
Effective Gross Income	533,855	4,853.23	817,958	7,435.98	789,292	7,175	772,913	7,026	772,913	7,026
2023 ANNUAL EXPENSES										
Operating Expenses	499,653	4,542	540,551	4,914	526,520	4,787	525,701	4,779	525,701	4,779
Replacement Reserve Deposits	55,042	500	55,042	500	54,798	498	54,798	498	54,798	498
Total Operating Expenses	554,696	5,043	595,594	5,414	581,317	5,285	580,498	5,277	580,498	5,277
2023 NET OPERATING INCOME	(20,840)	(189)	222,365	2,021	207,975	1,891	192,415	1,749	192,415	1,749
Debt Service	-	-	-	-	131,042	1,191	126,505	1,150	122,606	1,115
2023 CASH FLOW	(20,840)	(189)	222,365	2,021	76,933	699	65,910	599	69,810	635

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	-	-	-	-	2,280,303	20,730	2,008,005	18,255	2,133,506	19,396
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	3,300,000	30,000	3,300,000	30,000
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	31,180	283	69,680	633	69,680	633	69,680	633
Cash Escrows	-	-	83,779	762	83,779	762	83,779	762	83,779	762
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	308,766	2,807	322,768	2,934	321,404	2,922
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	2,244,335	20,403	4,319,375	39,267
Other	-	-	-	-	-	-	-	-	-	-
Total Sources of Funds	-	-	114,959	1,045	2,742,528	24,932	8,028,568	72,987	10,227,743	92,979
USES										
Acquisition Costs	-	-	-	-	-	-	3,300,000	30,000	3,300,000	30,000
Construction Costs	-	-	4,295,293	39,048	4,295,293	39,048	4,342,893	39,481	4,342,893	39,481
Soft Costs - Design & Construction	-	-	470,276	4,275	463,506	4,214	474,798	4,316	474,798	4,316
Soft Costs - Due Diligence	-	-	18,154	165	31,154	283	40,671	370	40,671	370
Soft Costs - Transaction Costs	-	-	51,680	470	131,680	1,197	278,116	2,528	278,116	2,528
Soft Costs - Financing	-	-	134,966	1,227	439,191	3,993	533,592	4,851	530,492	4,823
Soft Costs - Other	-	-	63,250	575	71,500	650	71,500	650	71,500	650
Soft Cost Contingency	-	-	36,916	336	56,852	517	63,416	577	62,261	566
Reserves	-	-	-	-	104,021	946	342,015	3,109	342,565	3,114
Developer Fee	-	-	356,522	3,241	771,915	7,017	806,921	7,336	803,510	7,305
Total Uses of Funds	-	-	5,427,058	49,337	6,365,112	57,865	10,253,922	93,217	10,246,807	93,153
TRANSACTION SURPLUS (GAP)	-	-	(5,312,100)	(48,292)	(3,622,584)	(32,933)	(2,225,354)	(20,230)	(19,063)	(173)

Scenario Pro Formas (continued)

Hamden Village, Hamden Village Extension, 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	-	-	3,314,885	30,135	3,314,885	30,135	3,314,885	30,135	3,314,885	30,135
Capital Needs Funded Using Subsidy	2,208,557	20,078	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	83,779	762	83,779	762	83,779	762	83,779	762	83,779	762
Replacement Reserves	1,154,441	10,495	1,070,105	9,728	1,065,342	9,685	1,065,342	9,685	1,065,342	9,685
Total Funds	3,446,777	31,334	4,468,769	40,625	4,464,007	40,582	4,464,007	40,582	4,464,007	40,582
USES										
Estimated Capital Needs	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334	3,446,777	31,334
YEAR 20 REPLACEMENT RESERVE BALANCE	-	-	1,021,992	9,291	1,017,229	9,248	1,017,229	9,248	1,017,229	9,248

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	4,612,468	41,932	4,612,468	41,932	4,612,468	41,932	4,612,468	41,932
Operating Deficit Subsidy Needed	569,741	5,179	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	569,741	5,179	4,612,468	41,932	4,612,468	41,932	4,612,468	41,932	4,612,468	41,932
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	2,208,557	20,078	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(1,738,587)	(15,805)	(573,332)	(5,212)	(632,617)	(5,751)	(664,090)	(6,037)
Transaction Capital Subsidy Needed	n/a	n/a	5,312,100	48,292	3,622,584	32,933	2,225,354	20,230	19,063	173
Total Capital Subsidy	2,208,557	20,078	3,573,513	32,486	3,049,252	27,720	1,592,737	14,479	(645,027)	(5,864)
TOTAL SUBSIDY NEEDED	2,778,298	25,257	8,185,981	74,418	7,661,720	69,652	6,205,205	56,411	3,967,442	36,068