

## CHFA Capital Plan Property Assessment - Casa Nueva

### Property Identification

Casa Nueva  
HARTFORD, CT

Total Current Unit Count: 79  
Census Tract: 5030.00  
Connecticut Congressional District: 1

CHFA Property Identification #: 85075D

Current State Sponsored Housing Program: SH Moderate Rental Section 8

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: Low rise (1-4 floors)  
Number of buildings: 12  
Maximum # of Stories: 3  
Elevator? None

Summary property description:

The Casa Nueva property has 11 one-bedroom, 26 two-bedroom, 29 three-bedroom, 11 four-bedroom and 2 five-bedroom units. Generally, the property consists of relatively spacious units. It features amenities such as common laundry, as well as a playground/tot lot.

### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 3,123,510  
  
Capital Needs per Unit: \$ 39,538  
  
Projected Year 1 (2014) Operating Income: \$ 362,866

Current operations at the property are projected to generate roughly \$362,900 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 yet remains positive through the time horizon studied. The property is rare in the portfolio, in that the NOI is sufficient to leverage debt financing and the property is able to adequately address its future basic capital needs, projected to be approximately \$3.12 million (\$39,538 per unit) over the next 20 years without dramatic changes to the property's operations.

**Revenue Adjustments Prior to a Recapitalization Transaction**

Casa Nueva, continued

Current average income relative to  
the Area Median Income (AMI): 13%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	909	57%
Two-bedroom unit:	1,133	59%
Three-bedroom unit:	1,253	56%
Four-bedroom unit:	1,371	55%
Five-bedroom unit:	1,418	52%
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	909	57%
Two-bedroom unit:	1,133	59%
Three-bedroom unit:	1,253	56%
Four-bedroom unit:	1,371	55%
Five-bedroom unit:	1,418	52%
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**

Casa Nueva, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	79	79
25-50% of AMI	0	0
50% of AMI or greater	0	0
Total number of units	79	79

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:	909	909
Two-bedroom unit:	1,133	1,133
Three-bedroom unit:	1,253	1,253
Four-bedroom unit:	1,371	1,371
Five-bedroom unit:	1,418	1,418
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: Casa Nueva

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(309,331)	(309,331)
Recoverable Grant Scenario:	(5,564,615)	(3,399,405)
CHFA/FHA Scenario:	(4,133,245)	(2,145,745)
4% LIHTC Scenario:	(2,191,185)	(1,550,050)
9% LIHTC Scenario:	917,119	-

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**

Casa Nueva, 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:	-	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 \$309,331 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 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:	309,331	
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 \$362,866 in NOI in the current year, which includes \$0 per unit per year in replacement reserve deposits, trending to \$325,693 fifteen years thereafter. The transaction results in a capital subsidy need of \$309,331, 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**

Casa Nueva, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 0  
 Current Routine Capital Needs: 320,163

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	320,163	309,331	-	-	-	-
2014	131,902	-	-	-	-	-
2015	97,228	-	-	-	-	-
2016	95,906	-	-	-	-	-
2017	80,202	-	-	-	-	-
2018	105,675	-	-	-	-	-
2019	111,967	-	-	-	-	-
2020	120,259	-	-	-	-	-
2021	77,956	-	-	-	-	-
2022	124,395	-	-	-	-	-

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	88,367	-	-	-	-	-
2024	100,392	-	-	-	-	-
2025	158,541	-	-	-	-	-
2026	133,750	-	-	-	-	-
2027	128,616	-	-	-	-	-
2028	86,941	-	-	-	-	-
2029	338,421	-	-	-	-	-
2030	316,134	-	-	-	-	-
2031	287,263	-	-	-	-	-
2032	219,431	-	-	-	-	-

**Scenario Pro Forms**

Casa Nueva, 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	1,398,199	17,698.73	1,398,199	17,698.73	1,398,199	17,699	1,398,199	17,699	1,398,199	17,699
Vacancy/Loss	(168,209)	(2,129.22)	(168,209)	(2,129.22)	(168,209)	(2,129)	(168,209)	(2,129)	(168,209)	(2,129)
Other Income	225,550	2,855.07	225,550	2,855.07	225,550	2,855	225,550	2,855	225,550	2,855
<b>Effective Gross Income</b>	<b>1,455,541</b>	<b>18,424.57</b>	<b>1,455,541</b>	<b>18,424.57</b>	<b>1,455,541</b>	<b>18,425</b>	<b>1,455,541</b>	<b>18,425</b>	<b>1,455,541</b>	<b>18,425</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	1,108,839	14,036	1,107,218	14,015	1,081,946	13,696	1,081,946	13,696	1,081,946	13,696
Replacement Reserve Deposits	-	-	-	-	47,788	605	47,788	605	39,355	498
<b>Total Operating Expenses</b>	<b>1,108,839</b>	<b>14,036</b>	<b>1,107,218</b>	<b>14,015</b>	<b>1,129,734</b>	<b>14,300</b>	<b>1,129,734</b>	<b>14,300</b>	<b>1,121,301</b>	<b>14,194</b>
<b>2023 NET OPERATING INCOME</b>	<b>346,702</b>	<b>4,389</b>	<b>348,323</b>	<b>4,409</b>	<b>325,807</b>	<b>4,124</b>	<b>325,807</b>	<b>4,124</b>	<b>334,240</b>	<b>4,231</b>
Debt Service	-	-	-	-	205,763	2,605	208,916	2,645	210,341	2,663
<b>2023 CASH FLOW</b>	<b>346,702</b>	<b>4,389</b>	<b>348,323</b>	<b>4,409</b>	<b>120,044</b>	<b>1,520</b>	<b>116,891</b>	<b>1,480</b>	<b>123,900</b>	<b>1,568</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	-	-	-	-	3,580,556	45,323	3,369,936	42,657	3,660,212	46,332
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	2,794,621	35,375	2,888,334	36,561
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	173,114	2,191	206,689	2,616	206,689	2,616	200,764	2,541
Cash Escrows	-	-	-	-	62,029	785	62,029	785	49,942	632
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	333,455	4,221	346,139	4,382	344,629	4,362
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	2,987,623	37,818	5,815,343	73,612
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>173,114</b>	<b>2,191</b>	<b>4,182,729</b>	<b>52,946</b>	<b>9,767,036</b>	<b>123,633</b>	<b>12,959,223</b>	<b>164,041</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	1,417,798	17,947	4,212,419	53,322	4,306,132	54,508
Construction Costs	-	-	4,439,222	56,193	4,439,222	56,193	4,488,417	56,815	4,488,417	56,815
Soft Costs - Design & Construction	-	-	485,616	6,147	478,618	6,058	490,289	6,206	490,289	6,206
Soft Costs - Due Diligence	-	-	16,777	212	29,928	379	37,291	472	37,403	473
Soft Costs - Transaction Costs	-	-	193,614	2,451	273,614	3,463	421,439	5,335	421,439	5,335
Soft Costs - Financing	-	-	136,259	1,725	584,451	7,398	662,462	8,386	664,036	8,406
Soft Costs - Other	-	-	45,425	575	51,350	650	51,350	650	51,350	650
Soft Cost Contingency	-	-	43,885	556	70,898	897	76,376	967	75,098	951
Reserves	-	-	-	-	136,457	1,727	652,831	8,264	646,369	8,182
Developer Fee	-	-	376,931	4,771	833,637	10,552	865,347	10,954	861,571	10,906
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>5,737,729</b>	<b>72,629</b>	<b>8,315,974</b>	<b>105,265</b>	<b>11,958,221</b>	<b>151,370</b>	<b>12,042,104</b>	<b>152,432</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(5,564,615)</b>	<b>(70,438)</b>	<b>(4,133,245)</b>	<b>(52,320)</b>	<b>(2,191,185)</b>	<b>(27,737)</b>	<b>917,119</b>	<b>11,609</b>

## 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	-	-	3,425,962	43,367	3,425,962	43,367	3,425,962	43,367	3,425,962	43,367
Capital Needs Funded Using Subsidy	309,331	3,916	6,464	82	-	-	-	-	-	-
Existing Replacement Reserve Balance	10,832	137	10,832	137	10,832	137	10,832	137	10,832	137
Replacement Reserves	6,483,367	82,068	-	-	929,062	11,760	929,062	11,760	765,109	9,685
<b>Total Funds</b>	<b>6,803,530</b>	<b>86,121</b>	<b>3,443,258</b>	<b>43,586</b>	<b>4,365,856</b>	<b>55,264</b>	<b>4,365,856</b>	<b>55,264</b>	<b>4,201,904</b>	<b>53,189</b>
<b>USES</b>										
Estimated Capital Needs	3,123,510	39,538	3,123,510	39,538	3,123,510	39,538	3,123,510	39,538	3,123,510	39,538
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>3,123,510</b>	<b>39,538</b>	<b>3,123,510</b>	<b>39,538</b>	<b>3,123,510</b>	<b>39,538</b>	<b>3,123,510</b>	<b>39,538</b>	<b>3,123,510</b>	<b>39,538</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>3,680,020</b>	<b>46,583</b>	<b>319,748</b>	<b>4,047</b>	<b>1,242,345</b>	<b>15,726</b>	<b>1,242,345</b>	<b>15,726</b>	<b>1,078,393</b>	<b>13,651</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	264	3	264	3	264	3	264	3
Operating Deficit Subsidy Needed	0	-	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
<b>Total Operating Subsidy</b>	<b>-</b>	<b>-</b>	<b>264</b>	<b>3</b>	<b>264</b>	<b>3</b>	<b>264</b>	<b>3</b>	<b>264</b>	<b>3</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	309,331	3,916	6,464	82	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(2,171,937)	(27,493)	(1,987,763)	(25,162)	(641,398)	(8,119)	(264)	(3)
Transaction Capital Subsidy Needed	n/a	n/a	5,564,615	70,438	4,133,245	52,320	2,191,185	27,737	-	-
<b>Total Capital Subsidy</b>	<b>309,331</b>	<b>3,916</b>	<b>3,399,142</b>	<b>43,027</b>	<b>2,145,482</b>	<b>27,158</b>	<b>1,549,787</b>	<b>19,618</b>	<b>(264)</b>	<b>(3)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>309,331</b>	<b>3,916</b>	<b>3,399,405</b>	<b>43,030</b>	<b>2,145,745</b>	<b>27,161</b>	<b>1,550,050</b>	<b>19,621</b>	<b>-</b>	<b>-</b>