

### CHFA Capital Plan Property Assessment - Luther Manor

#### Property Identification

Luther Manor  
MIDDLETOWN, CT

Total Current Unit Count: 45  
Census Tract: 5414.02  
Connecticut Congressional District: 3

CHFA Property Identification #: 91132D  
Current State Sponsored Housing Program: SH Congregate

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: Congregate  
Structure Type: Low rise (1-4 floors)  
Number of buildings: 1  
Maximum # of Stories: 3  
Elevator? Yes

Summary property description:

The Luther Manor property has 39 efficiency or studio and 6 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as common laundry, a community room, and meal service.

#### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 1,274,826  
  
Capital Needs per Unit: \$ 28,329  
  
Projected Year 1 (2014) Operating Income: \$ (30,488)

Current operations at the property are projected to generate negative \$30,500 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 \$1.27 million (\$28,329 per unit) over the next 20 years.

Current average income relative to  
the Area Median Income (AMI): 24%

|                         | Current Base<br>Rent | Affordability<br>(% AMI) |
|-------------------------|----------------------|--------------------------|
| Studio/efficiency unit: | 550                  | 37%                      |
| One-bedroom unit:       | 600                  | 37%                      |
| Two-bedroom unit:       |                      |                          |
| Three-bedroom unit:     |                      |                          |
| Four-bedroom unit:      |                      |                          |
| Five-bedroom unit:      |                      |                          |
| Six-bedroom unit:       |                      |                          |

|                         | Proposed Base<br>Rent | Affordability<br>(% AMI) |
|-------------------------|-----------------------|--------------------------|
| Studio/efficiency unit: | 550                   | 37%                      |
| One-bedroom unit:       | 600                   | 37%                      |
| Two-bedroom unit:       |                       |                          |
| Three-bedroom unit:     |                       |                          |
| Four-bedroom unit:      |                       |                          |
| Five-bedroom unit:      |                       |                          |
| Six-bedroom unit:       |                       |                          |

In order for the property to operate in a sustainable manner into the foreseeable future, the property would benefit from greater revenues. This property currently has a rental assistance payments contract with the State, which allow the residents to pay an affordable rent based on their income, but generally only yields the base rent amount as revenue. Currently, base rents are set by the property owners in consultation with CHFA.

Low base rent levels maximize affordability for households in the community. However, if the property's revenue stream (including any available operating subsidy) does not cover the cost of actually operating the property, including the cost of ongoing maintenance and capital improvements, necessary repairs and maintenance will get deferred. An extended period of deferred maintenance can put the property itself at risk, which would be a significant blow to the availability of affordable housing in the area.

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, 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.

The figures to the left indicate the additional rental operating subsidy which would be necessary in 2014 to cover this base rent increase as well as the total 20 year impact given that this subsidy need will recur annually, with inflation increases. Since the rental assistance payment protects the residents of the property, none of the actual households would be impacted by the increase in the base rent and the property would continue to serve the current resident demographic.

Number of current households that would be  
impacted by the proposed increase in Base Rent: -

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

Additional rental assistance payments subsidy  
over a 20 year period due to revised base rent: \$ -

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Luther Manor, continued

| Household Income Level | Current<br>Income Mix | Proposed<br>Income Mix |
|------------------------|-----------------------|------------------------|
| 0-25% of AMI           | 44                    | 44                     |
| 25-50% of AMI          | 0                     | 0                      |
| 50% of AMI or greater  | 1                     | 1                      |
| Total number of units  | 45                    | 45                     |

|                         | Pre-Trans.<br>Base Rent | Post-Trans.<br>Base Rent |
|-------------------------|-------------------------|--------------------------|
| Studio/efficiency unit: | 550                     | 550                      |
| One-bedroom unit:       | 600                     | 600                      |
| Two-bedroom unit:       |                         |                          |
| Three-bedroom unit:     |                         |                          |
| Four-bedroom unit:      |                         |                          |
| Five-bedroom unit:      |                         |                          |
| Six-bedroom unit:       |                         |                          |

While the revenue generated by the increase in the base rent improves the property's income and expense picture, it is insufficient for the property to operate sustainably for the foreseeable future. (The capital plan analysis considers sustainable operations to be a level of operating income sufficient to cover operating expenses and servicing of any capital leverage necessary to maintain the physical asset for the next 15-20 years without routine capital subsidies from the State.) However, as noted above, the property receives a project-based rental assistance payment. A RAP arrangement provides operating support to the property while permitting residents to pay based on what they can afford, so income mixing is neither needed nor appropriate. For extremely low income households, properties with a RAP are their only viable option. In order to ensure long-term stability, a post-transaction base rent increase, which would be covered by the RAP subsidy, is used to generate enough income for the property to operate at a sustainable level.

The rental assistance payment ensures that the property receives the base rent. However, since the base rent increase suggested above is insufficient over the long term, the only alternative is to increase the base rent again in conjunction with the recapitalization transaction. (An income-tier structure in this situation would only serve to reduce housing options to the lowest income households, without increasing revenue to the property.)

An increase in the base rent at a property with a rental assistance payment translates into an increase in the operating subsidy necessary to sustain the property over time.

Rental operating subsidy in the transaction year  
which would be necessary to generate additional  
revenue equal to that generated by income  
mixing: \$ -

Additional rental operating subsidy necessary to  
sustain Rental Assistance Payments based on  
the adjusted base rent: \$ 1,904,216

Property used for market reference: Marino Manor

|  | Capital Surplus<br>or (Gap) | Total (Gap)<br>Funded by<br>Subsidy inc.<br>Capital &<br>Operating |
|--|-----------------------------|--|
| Current Scenario<br>(excluding transaction costs): | (1,131,085)                 | (2,543,267)  |
| Recoverable Grant Scenario:                        | (2,247,157)                 | (3,749,011)  |
| CHFA/FHA Scenario:                                 | (1,818,002)                 | (3,830,891)  |
| 4% LIHTC Scenario:                                 | (1,586,549)                 | (3,599,422)  |
| 9% LIHTC Scenario:                                 | (586,065)                   | (2,598,577)  |

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**

Luther Manor, 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.</p> <p>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.</p> <p>This property has been underwritten assuming replacement reserve deposits of \$350 per unit per year, assuming debt service coverage is maintained over 1.1 throughout the first 15 years of the new financing, and assuming hard construction capital needs of \$1.27 million.</p> <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> |
| Recommended Transaction Year                  | 2020      |  |
| Replacement Reserve Deposit PUPY:             | 350       |  |
| Debt Service Coverage in Transaction Year:    | 4.610     |  |
| Debt Service Coverage in Transaction Year 15: | 1.100     |  |
| Pre-Transaction Capital Subsidy Needed:       | -         |  |
| Transaction Capital Subsidy Needed:           | 1,586,549 |  |

**Summary of Recommended Transaction**

Under the 4% LIHTC scenario, the property yields \$85,455 in NOI in the transaction completion year, which includes \$350 per unit per year in replacement reserve deposits. After debt service, the property generates \$61,918 in cash flow in the capital transaction's completion year, trending to \$2,357 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 \$306,000 in debt and \$956,000 in equity. The transaction results in a gap of \$1,586,000, all of which would need to be covered by State capital subsidy. This compares to a needs gap of over \$2,543,000 if no transaction takes place at the property and the capital needs are addressed through routine maintenance or a needs gap of over \$2,247,000 if the capital needs are addressed in a consolidated transaction relying entirely on State capital subsidy.

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

Luther Manor, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 25,775  
 Current Routine Capital Needs: 59,478

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 | 85,253                         | -                                     | -                                 | -                               | -                                 | -                                     |
| 2014 | 50,751                         | -                                     | -                                 | 48,310                          | -                                 | -                                     |
| 2015 | 64,625                         | -                                     | -                                 | 40,418                          | -                                 | -                                     |
| 2016 | 62,490                         | -                                     | -                                 | 44,793                          | -                                 | -                                     |
| 2017 | 49,553                         | -                                     | -                                 | 49,365                          | -                                 | -                                     |
| 2018 | 25,448                         | -                                     | -                                 | 54,143                          | -                                 | -                                     |
| 2019 | 26,858                         | -                                     | -                                 | 59,134                          | -                                 | -                                     |
| 2020 | 38,348                         | -                                     | 1,586,549                         | 81,108                          | -                                 | -                                     |
| 2021 | 222,702                        | -                                     | -                                 | -                               | 141,978                           | -                                     |
| 2022 | 54,054                         | -                                     | -                                 | -                               | 144,817                           | -                                     |

| 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 | 82,069                         | -                                     | -                                 | -                               | 147,713                           | -                                     |
| 2024 | 60,197                         | -                                     | -                                 | -                               | 150,668                           | -                                     |
| 2025 | 15,323                         | -                                     | -                                 | -                               | 153,681                           | -                                     |
| 2026 | 135,199                        | -                                     | -                                 | -                               | 156,755                           | -                                     |
| 2027 | 21,194                         | -                                     | -                                 | -                               | 159,890                           | -                                     |
| 2028 | 85,401                         | -                                     | -                                 | -                               | 163,088                           | -                                     |
| 2029 | 21,736                         | -                                     | -                                 | -                               | 166,349                           | -                                     |
| 2030 | 22,656                         | -                                     | -                                 | -                               | 169,676                           | -                                     |
| 2031 | 128,615                        | -                                     | -                                 | -                               | 173,070                           | -                                     |
| 2032 | 22,353                         | -                                     | -                                 | -                               | 176,531                           | -                                     |

**Scenario Pro Formas**

Luther 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             | 373,758         | 8,305.74        | 560,637           | 12,458.61        | 560,637        | 12,459        | 560,637        | 12,459        | 560,637        | 12,459        |
| Vacancy/Loss                     | (11,023)        | (244.94)        | (16,501)          | (366.69)         | (28,032)       | (623)         | (39,245)       | (872)         | (39,245)       | (872)         |
| Other Income                     | 6,346           | 141.03          | 6,346             | 141.03           | 6,346          | 141           | 6,346          | 141           | 6,346          | 141           |
| <b>Effective Gross Income</b>    | <b>369,082</b>  | <b>8,201.82</b> | <b>550,483</b>    | <b>12,232.95</b> | <b>538,952</b> | <b>11,977</b> | <b>527,739</b> | <b>11,728</b> | <b>527,739</b> | <b>11,728</b> |
| <b>2023 ANNUAL EXPENSES</b>      |                 |                 |                   |                  |                |               |                |               |                |               |
| Operating Expenses               | 440,009         | 9,778           | 437,831           | 9,730            | 425,530        | 9,456         | 424,969        | 9,444         | 424,969        | 9,444         |
| Replacement Reserve Deposits     | -               | -               | -                 | -                | 22,417         | 498           | 22,417         | 498           | 22,417         | 498           |
| <b>Total Operating Expenses</b>  | <b>440,009</b>  | <b>9,778</b>    | <b>437,831</b>    | <b>9,730</b>     | <b>447,947</b> | <b>9,954</b>  | <b>447,387</b> | <b>9,942</b>  | <b>447,387</b> | <b>9,942</b>  |
| <b>2023 NET OPERATING INCOME</b> | <b>(70,927)</b> | <b>(1,576)</b>  | <b>112,652</b>    | <b>2,503</b>     | <b>91,005</b>  | <b>2,022</b>  | <b>80,353</b>  | <b>1,786</b>  | <b>80,353</b>  | <b>1,786</b>  |
| Debt Service                     | -               | -               | -                 | -                | 35,975         | 799           | 23,537         | 523           | 23,477         | 522           |
| <b>2023 CASH FLOW</b>            | <b>(70,927)</b> | <b>(1,576)</b>  | <b>112,652</b>    | <b>2,503</b>     | <b>55,029</b>  | <b>1,223</b>  | <b>56,815</b>  | <b>1,263</b>  | <b>56,876</b>  | <b>1,264</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                  | -        | -        | -                  | -               | 626,020            | 13,912          | 306,345            | 6,808           | 408,530          | 9,078           |
| Commercial Debt 2                  | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Tax-Exempt Bond                    | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Other                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Soft Debt                          |          |          |                    |                 |                    |                 |                    |                 |                  |                 |
| Seller Financing/Take Back Note    | -        | -        | -                  | -               | -                  | -               | 1,350,000          | 30,000          | 1,350,000        | 30,000          |
| State                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Local                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Other                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Other                              |          |          |                    |                 |                    |                 |                    |                 |                  |                 |
| From Operations                    | -        | -        | 33,149             | 737             | 48,899             | 1,087           | 48,899             | 1,087           | 48,899           | 1,087           |
| Cash Escrows                       | -        | -        | 35,022             | 778             | 84,187             | 1,871           | 84,187             | 1,871           | 84,187           | 1,871           |
| Grant                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Other                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Other                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| Deferred Developer Fee             | -        | -        | -                  | -               | 131,933            | 2,932           | 139,648            | 3,103           | 139,116          | 3,091           |
| Equity                             |          |          |                    |                 |                    |                 |                    |                 |                  |                 |
| GP Contribution                    | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| LIHTC                              | -        | -        | -                  | -               | -                  | -               | 956,512            | 21,256          | 1,855,692        | 41,238          |
| Other                              | -        | -        | -                  | -               | -                  | -               | -                  | -               | -                | -               |
| <b>Total Sources of Funds</b>      | <b>-</b> | <b>-</b> | <b>68,171</b>      | <b>1,515</b>    | <b>891,038</b>     | <b>19,801</b>   | <b>2,885,591</b>   | <b>64,124</b>   | <b>3,886,424</b> | <b>86,365</b>   |
| <b>USES</b>                        |          |          |                    |                 |                    |                 |                    |                 |                  |                 |
| Acquisition Costs                  | -        | -        | -                  | -               | -                  | -               | 1,350,000          | 30,000          | 1,350,000        | 30,000          |
| Construction Costs                 | -        | -        | 1,793,735          | 39,861          | 1,760,337          | 39,119          | 1,779,844          | 39,552          | 1,779,844        | 39,552          |
| Soft Costs - Design & Construction | -        | -        | 203,669            | 4,526           | 197,335            | 4,385           | 201,963            | 4,488           | 201,963          | 4,488           |
| Soft Costs - Due Diligence         | -        | -        | 11,902             | 264             | 21,612             | 480             | 25,506             | 567             | 25,506           | 567             |
| Soft Costs - Transaction Costs     | -        | -        | 53,649             | 1,192           | 133,649            | 2,970           | 255,631            | 5,681           | 255,631          | 5,681           |
| Soft Costs - Financing             | -        | -        | 56,800             | 1,262           | 175,424            | 3,898           | 212,683            | 4,726           | 212,343          | 4,719           |
| Soft Costs - Other                 | -        | -        | 25,875             | 575             | 29,250             | 650             | 29,250             | 650             | 29,250           | 650             |
| Soft Cost Contingency              | -        | -        | 17,595             | 391             | 27,864             | 619             | 32,228             | 716             | 31,778           | 706             |
| Reserves                           | -        | -        | -                  | -               | 33,738             | 750             | 235,914            | 5,243           | 238,384          | 5,297           |
| Developer Fee                      | -        | -        | 152,102            | 3,380           | 329,832            | 7,330           | 349,121            | 7,758           | 347,791          | 7,729           |
| <b>Total Uses of Funds</b>         | <b>-</b> | <b>-</b> | <b>2,315,328</b>   | <b>51,452</b>   | <b>2,709,040</b>   | <b>60,201</b>   | <b>4,472,139</b>   | <b>99,381</b>   | <b>4,472,489</b> | <b>99,389</b>   |
| <b>TRANSACTION SURPLUS (GAP)</b>   | <b>-</b> | <b>-</b> | <b>(2,247,157)</b> | <b>(49,937)</b> | <b>(1,818,002)</b> | <b>(40,400)</b> | <b>(1,586,549)</b> | <b>(35,257)</b> | <b>(586,065)</b> | <b>(13,024)</b> |

**Scenario Pro Formas (continued)**

Luther 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                          | -                | -             | 1,384,312         | 30,762        | 1,358,537        | 30,190        | 1,358,537        | 30,190        | 1,358,537        | 30,190        |
| Capital Needs Funded Using Subsidy         | 1,131,085        | 25,135        | -                 | -             | -                | -             | -                | -             | -                | -             |
| Existing Replacement Reserve Balance       | 143,741          | 3,194         | 143,741           | 3,194         | 143,741          | 3,194         | 143,741          | 3,194         | 143,741          | 3,194         |
| Replacement Reserves                       | -                | -             | -                 | -             | 435,822          | 9,685         | 435,822          | 9,685         | 435,822          | 9,685         |
| <b>Total Funds</b>                         | <b>1,274,826</b> | <b>28,329</b> | <b>1,528,053</b>  | <b>33,957</b> | <b>1,938,100</b> | <b>43,069</b> | <b>1,938,100</b> | <b>43,069</b> | <b>1,938,100</b> | <b>43,069</b> |
| <b>USES</b>                                |                  |               |                   |               |                  |               |                  |               |                  |               |
| Estimated Capital Needs                    | 1,274,826        | 28,329        | 1,274,826         | 28,329        | 1,274,826        | 28,329        | 1,274,826        | 28,329        | 1,274,826        | 28,329        |
| Enhancements                               | -                | -             | -                 | -             | -                | -             | -                | -             | -                | -             |
| <b>Total Uses</b>                          | <b>1,274,826</b> | <b>28,329</b> | <b>1,274,826</b>  | <b>28,329</b> | <b>1,274,826</b> | <b>28,329</b> | <b>1,274,826</b> | <b>28,329</b> | <b>1,274,826</b> | <b>28,329</b> |
| <b>YEAR 20 REPLACEMENT RESERVE BALANCE</b> | <b>-</b>         | <b>-</b>      | <b>253,227</b>    | <b>5,627</b>  | <b>663,274</b>   | <b>14,739</b> | <b>663,274</b>   | <b>14,739</b> | <b>663,274</b>   | <b>14,739</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           | 1,904,216         | 42,316        | 1,904,216        | 42,316        | 1,904,216        | 42,316        | 1,904,216        | 42,316        |
| Operating Deficit Subsidy Needed       | 1,412,183        | 31,382        | 224,033           | 4,979         | 371,317          | 8,251         | 377,271          | 8,384         | 377,271          | 8,384         |
| Income Mixing Operating Subsidy Needed | n/a              | n/a           | -                 | -             | -                | -             | -                | -             | -                | -             |
| <b>Total Operating Subsidy</b>         | <b>1,412,183</b> | <b>31,382</b> | <b>2,128,249</b>  | <b>47,294</b> | <b>2,275,533</b> | <b>50,567</b> | <b>2,281,487</b> | <b>50,700</b> | <b>2,281,487</b> | <b>50,700</b> |
| <b>CAPITAL SUBSIDY</b>                 |                  |               |                   |               |                  |               |                  |               |                  |               |
| Pre-Transaction Capital Subsidy Needed | 1,131,085        | 25,135        | -                 | -             | -                | -             | -                | -             | -                | -             |
| Recoverable Cash Flow                  | n/a              | n/a           | (626,395)         | (13,920)      | (262,643)        | (5,837)       | (268,613)        | (5,969)       | (268,974)        | (5,977)       |
| Transaction Capital Subsidy Needed     | n/a              | n/a           | 2,247,157         | 49,937        | 1,818,002        | 40,400        | 1,586,549        | 35,257        | 586,065          | 13,024        |
| <b>Total Capital Subsidy</b>           | <b>1,131,085</b> | <b>25,135</b> | <b>1,620,762</b>  | <b>36,017</b> | <b>1,555,358</b> | <b>34,564</b> | <b>1,317,935</b> | <b>29,287</b> | <b>317,090</b>   | <b>7,046</b>  |
| <b>TOTAL SUBSIDY NEEDED</b>            | <b>2,543,267</b> | <b>56,517</b> | <b>3,749,011</b>  | <b>83,311</b> | <b>3,830,891</b> | <b>85,131</b> | <b>3,599,422</b> | <b>79,987</b> | <b>2,598,577</b> | <b>57,746</b> |