

CHFA Capital Plan Property Assessment - Seely Brown Village

Property Identification

Seely Brown Village
POMFRET, CT

Total Current Unit Count: 32
Census Tract: 9025.00
Connecticut Congressional District: 2

CHFA Property Identification #: 98059D
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: 2
Elevator? Yes

Summary property description:

The Seely Brown Village property has 32 one-bedroom units. Generally, the property consists of relatively spacious units. It features amenities such as common laundry, a common room, and a dining room with meal service.

Current Operating & Capital Needs Status

Aggregate Capital Needs
(without market enhancements): \$ 2,318,212

Capital Needs per Unit: \$ 72,444

Projected Year 1 (2014) Operating Income: \$ 11,808

Current operations at the property are projected to generate roughly \$11,800 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 \$2.32 million (\$72,444 per unit) over the next 20 years.

Revenue Adjustments Prior to a Recapitalization Transaction

Seely Brown Village, continued

Current average income relative to the Area Median Income (AMI): 28%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	612	39%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:		
One-bedroom unit:	612	39%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

The Capital Plan is recommending that the property continue operating as it is currently structured, without a consolidated recapitalization transaction. Consequently, the Capital Plan does not recommend a specific revenue adjustment. The owner should note, however, that the rental income is not projected to meet the property's expenses over the next 20 years and may struggle to cover future capital needs. The owner may want to consider an adjustment in the property's base rent in order to avoid future budget problems.

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

Rental operating subsidy necessary in 2014 to generate revenue equal to raising the base rent as proposed: n/a

Additional rental assistance payments subsidy over a 20 year period due to revised base rent: n/a

Revenue Adjustments Concurrent with a Recapitalization Transaction

Seely Brown Village, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	26	26
25-50% of AMI	2	2
50% of AMI or greater	4	4
Total number of units	32	32

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:	612	612
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: Wm. St. Onge & Robert Bulger

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(1,903,097)	(2,207,741)
Recoverable Grant Scenario:	(3,849,635)	(4,438,414)
CHFA/FHA Scenario:	(3,577,834)	(4,427,295)
4% LIHTC Scenario:	(2,838,951)	(3,685,606)
9% LIHTC Scenario:	(1,221,229)	(2,067,921)

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

Seely Brown Village, 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 \$1,903,097 over the course of the next 20 years.
Replacement Reserve Deposit PUPY:	336	
Debt Service Coverage in Transaction Year:	-	
Debt Service Coverage in Transaction Year 15:	-	At this time, the "Current Scenario" is the only approach which reasonably covers the property's capital needs given the low rental revenue and/or small size of the property and the current programmatic assumptions. However, it is neither a sustainable nor an efficient strategy as it requires the State to have a much more active role in supervising both capital and operating budgets. This level of oversight would correspond to a higher degree of accountability by the owner to the State.
Pre-Transaction Capital Subsidy Needed:	1,903,097	
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 \$11,8080 in NOI in the current year, which includes \$336 per unit per year in replacement reserve deposits, trending to negative \$30,048 fifteen years thereafter. The transaction results in a capital subsidy need of \$1,903,097 and \$304,645 in operating deficit subsidy, 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

Seely Brown Village, continued

Immediate Emergency Capital Needs: 0
 Current Deferred Capital Needs: 5,549
 Current Routine Capital Needs: 67,770

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	73,319	-	-	-	-	-
2014	63,998	34,080	-	-	-	-
2015	77,246	56,363	-	-	-	-
2016	72,421	53,319	-	-	-	-
2017	265,270	248,048	-	-	-	-
2018	135,430	120,195	-	-	-	-
2019	74,695	61,556	-	-	-	-
2020	244,882	231,272	-	2,682	-	-
2021	102,952	88,797	-	5,555	-	-
2022	194,255	179,534	-	8,572	-	-

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	71,657	56,347	-	11,740	-	-
2024	36,646	20,724	-	15,065	-	-
2025	30,486	13,927	-	18,551	-	-
2026	18,608	1,386	-	22,206	-	-
2027	21,775	3,864	-	26,036	-	-
2028	151,193	132,567	-	30,048	-	-
2029	46,521	27,149	-	34,248	-	-
2030	310,409	290,262	-	38,644	-	-
2031	99,199	78,247	-	43,243	-	-
2032	227,250	205,460	-	48,053	-	-

Scenario Pro Formas

Seely Brown Village, 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	298,138	9,316.82	387,613	12,112.91	387,613	12,113	387,613	12,113	387,613	12,113
Vacancy/Loss	(8,185)	(255.78)	(10,317)	(322.40)	(19,381)	(606)	(27,133)	(848)	(27,133)	(848)
Other Income	1,767	55.21	1,767	55.21	1,767	55	1,767	55	1,767	55
Effective Gross Income	291,720	9,116.26	379,063	11,845.72	369,999	11,562	362,247	11,320	362,247	11,320
2023 ANNUAL EXPENSES										
Operating Expenses	288,151	9,005	297,289	9,290	286,176	8,943	285,789	8,931	285,789	8,931
Replacement Reserve Deposits	15,310	478	15,310	478	15,941	498	15,941	498	15,941	498
Total Operating Expenses	303,461	9,483	312,599	9,769	302,117	9,441	301,730	9,429	301,730	9,429
2023 NET OPERATING INCOME	(11,740)	(367)	66,464	2,077	67,882	2,121	60,517	1,891	60,517	1,891
Debt Service	-	-	-	-	37,968	1,186	29,804	931	29,809	932
2023 CASH FLOW	(11,740)	(367)	66,464	2,077	29,914	935	30,714	960	30,708	960

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	-	-	-	-	660,689	20,647	409,907	12,810	518,715	16,210
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	960,000	30,000	960,000	30,000
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	26,710	835	37,910	1,185	37,910	1,185	37,910	1,185
Cash Escrows	-	-	80,606	2,519	81,050	2,533	81,050	2,533	81,050	2,533
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	224,471	7,015	233,215	7,288	232,245	7,258
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	1,343,939	41,998	2,851,200	89,100
Other	-	-	-	-	-	-	-	-	-	-
Total Sources of Funds	-	-	107,317	3,354	1,004,120	31,379	3,066,021	95,813	4,681,120	146,285
USES										
Acquisition Costs	-	-	-	-	-	-	960,000	30,000	960,000	30,000
Construction Costs	-	-	3,149,562	98,424	3,142,372	98,199	3,177,195	99,287	3,177,195	99,287
Soft Costs - Design & Construction	-	-	348,168	10,880	342,449	10,702	350,710	10,960	350,710	10,960
Soft Costs - Due Diligence	-	-	12,879	402	21,971	687	24,765	774	24,765	774
Soft Costs - Transaction Costs	-	-	47,210	1,475	127,210	3,975	262,524	8,204	262,524	8,204
Soft Costs - Financing	-	-	94,717	2,960	295,399	9,231	324,033	10,126	322,152	10,067
Soft Costs - Other	-	-	18,400	575	20,800	650	20,800	650	20,800	650
Soft Cost Contingency	-	-	26,069	815	40,391	1,262	44,213	1,382	43,392	1,356
Reserves	-	-	-	-	30,184	943	157,695	4,928	160,198	5,006
Developer Fee	-	-	259,946	8,123	561,177	17,537	583,036	18,220	580,614	18,144
Total Uses of Funds	-	-	3,956,952	123,655	4,581,954	143,186	5,904,972	184,530	5,902,350	184,448
TRANSACTION SURPLUS (GAP)	-	-	(3,849,635)	(120,301)	(3,577,834)	(111,807)	(2,838,951)	(88,717)	(1,221,229)	(38,163)

Scenario Pro Formas (continued)

Seely Brown Village, 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	-	-	2,430,669	75,958	2,425,120	75,785	2,425,120	75,785	2,425,120	75,785
Capital Needs Funded Using Subsidy	1,903,097	59,472	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	80,673	2,521	80,673	2,521	80,673	2,521	80,673	2,521	80,673	2,521
Replacement Reserves	334,443	10,451	297,645	9,301	309,918	9,685	309,918	9,685	309,918	9,685
Total Funds	2,318,212	72,444	2,808,986	87,781	2,815,711	87,991	2,815,711	87,991	2,815,711	87,991
USES										
Estimated Capital Needs	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444	2,318,212	72,444
YEAR 20 REPLACEMENT RESERVE BALANCE	-	-	490,774	15,337	497,498	15,547	497,498	15,547	497,498	15,547

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	1,013,534	31,673	1,013,534	31,673	1,013,534	31,673	1,013,534	31,673
Operating Deficit Subsidy Needed	304,645	9,520	-	-	7,349	230	7,349	230	7,349	230
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	304,645	9,520	1,013,534	31,673	1,020,883	31,903	1,020,883	31,903	1,020,883	31,903
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	1,903,097	59,472	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(424,755)	(13,274)	(171,422)	(5,357)	(174,228)	(5,445)	(174,191)	(5,443)
Transaction Capital Subsidy Needed	n/a	n/a	3,849,635	120,301	3,577,834	111,807	2,838,951	88,717	1,221,229	38,163
Total Capital Subsidy	1,903,097	59,472	3,424,880	107,028	3,406,412	106,450	2,664,723	83,273	1,047,038	32,720
TOTAL SUBSIDY NEEDED	2,207,741	68,992	4,438,414	138,700	4,427,295	138,353	3,685,606	115,175	2,067,921	64,623