

CHFA Capital Plan Property Assessment - Robert Bulger Apts

Property Identification

Robert Bulger Apts
PUTNAM, CT

CHFA Property Identification #: 85007D

Current State Sponsored Housing Program: SH Elderly 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.

Total Current Unit Count: 27
Census Tract: 9031.00
Connecticut Congressional District: 2

Property Description

Tenancy Type: Elderly/Disabled
Structure Type: Low rise (1-4 floors)
Number of buildings: 2
Maximum # of Stories: 1
Elevator? None

Summary property description:

The Robert Bulger Apts property has 24 efficiency or studio and 3 one-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as common laundry, owner-provided air conditioning, semi-private outdoor space, and a common room.

Current Operating & Capital Needs Status

Aggregate Capital Needs
(without market enhancements): \$ 732,469

Capital Needs per Unit: \$ 27,128

Projected Year 1 (2014) Operating Income: \$ 41,980

Current operations at the property are projected to generate roughly \$42,000 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. However, the property cannot leverage debt financing or adequately address its future basic capital needs, projected to be approximately \$0.73 million (\$27,128 per unit) over the next 20 years.

Revenue Adjustments Prior to a Recapitalization Transaction

Robert Bulger Apts, continued

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

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	471	33%
One-bedroom unit:	538	35%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	471	33%
One-bedroom unit:	538	35%
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

Robert Bulger Apts, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	27	27
25-50% of AMI	0	0
50% of AMI or greater	0	0
Total number of units	27	27

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:	471	471
One-bedroom unit:	538	538
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):	(176,610)	(212,519)
Recoverable Grant Scenario:	(1,346,884)	(1,407,572)
CHFA/FHA Scenario:	(1,569,503)	(1,408,221)
4% LIHTC Scenario:	(1,374,130)	(1,484,070)
9% LIHTC Scenario:	(704,052)	(813,873)

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

Robert Bulger Apts, continued

Recommended Transaction Option:	Current	
Recommended Transaction Year	n/a	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.
Replacement Reserve Deposit PUPY:	283	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 \$176,610 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 low rental revenue 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:	176,610	
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 \$41,980 in NOI in the current year, which includes \$283 per unit per year in replacement reserve deposits, trending to \$30,674 fifteen years thereafter. The transaction results in a capital subsidy need of \$176,000 and \$35,000 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

Robert Bulger Apts, continued

Immediate Emergency Capital Needs: 0
 Current Deferred Capital Needs: 0
 Current Routine Capital Needs: 76,101

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	76,101	48,841	-	-	-	-
2014	20,369	12,720	-	3,587	-	-
2015	36,151	28,196	-	4,017	-	-
2016	31,308	23,034	-	4,496	-	-
2017	13,564	4,959	-	5,024	-	-
2018	12,513	3,565	-	5,606	-	-
2019	12,455	3,149	-	6,242	-	-
2020	26,353	16,674	-	6,937	-	-
2021	15,095	-	-	-	-	-
2022	90,062	9,688	-	-	-	-

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	44,106	-	-	-	-	-
2024	14,373	-	-	-	-	-
2025	60,906	-	-	-	-	-
2026	76,684	11,129	-	-	-	-
2027	59,321	14,655	-	-	-	-
2028	43,863	-	-	-	-	-
2029	42,350	-	-	-	-	-
2030	32,564	-	-	-	-	-
2031	11,987	-	-	-	-	-
2032	12,346	-	-	-	-	-

Scenario Pro Formas

Robert Bulger Apts, 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	193,743	7,175.65	213,117	7,893.22	213,117	7,893	213,117	7,893	213,117	7,893
Vacancy/Loss	(1,590)	(58.90)	(1,749)	(64.79)	(10,656)	(395)	(14,918)	(553)	(14,918)	(553)
Other Income	615	22.77	615	22.77	615	23	615	23	615	23
Effective Gross Income	192,767	7,139.52	211,982	7,851.20	203,076	7,521	198,813	7,363	198,813	7,363
2023 ANNUAL EXPENSES										
Operating Expenses	145,704	5,396	156,303	5,789	153,377	5,681	153,164	5,673	153,164	5,673
Replacement Reserve Deposits	10,887	403	10,887	403	13,450	498	13,450	498	13,450	498
Total Operating Expenses	156,591	5,800	167,190	6,192	166,827	6,179	166,614	6,171	166,614	6,171
2023 NET OPERATING INCOME	36,176	1,340	44,792	1,659	36,249	1,343	32,199	1,193	32,199	1,193
Debt Service	-	-	-	-	15,258	565	10,545	391	10,525	390
2023 CASH FLOW	36,176	1,340	44,792	1,659	20,990	777	21,654	802	21,674	803

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	-	-	-	-	265,517	9,834	91,636	3,394	183,152	6,783
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	550,578	20,392	550,578	20,392
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	28,054	1,039	37,504	1,389	37,504	1,389	37,504	1,389
Cash Escrows	-	-	31,798	1,178	37,419	1,386	37,419	1,386	37,419	1,386
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	84,732	3,138	90,507	3,352	90,195	3,341
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	605,307	22,419	1,185,943	43,924
Other	-	-	-	-	-	-	-	-	-	-
Total Sources of Funds	-	-	59,852	2,217	425,172	15,747	1,412,951	52,332	2,084,791	77,214
USES										
Acquisition Costs	-	-	-	-	259,422	9,608	810,000	30,000	810,000	30,000
Construction Costs	-	-	1,067,868	39,551	1,067,868	39,551	1,079,702	39,989	1,079,702	39,989
Soft Costs - Design & Construction	-	-	126,309	4,678	124,626	4,616	127,434	4,720	127,434	4,720
Soft Costs - Due Diligence	-	-	10,131	375	19,293	715	21,318	790	21,318	790
Soft Costs - Transaction Costs	-	-	48,554	1,798	128,554	4,761	243,855	9,032	243,855	9,032
Soft Costs - Financing	-	-	34,199	1,267	127,574	4,725	145,782	5,399	146,097	5,411
Soft Costs - Other	-	-	15,525	575	17,550	650	17,550	650	17,550	650
Soft Cost Contingency	-	-	11,736	435	20,880	773	24,456	906	24,192	896
Reserves	-	-	-	-	17,079	633	90,718	3,360	93,208	3,452
Developer Fee	-	-	92,413	3,423	211,830	7,846	226,267	8,380	225,487	8,351
Total Uses of Funds	-	-	1,406,735	52,101	1,994,675	73,877	2,787,081	103,225	2,788,843	103,290
TRANSACTION SURPLUS (GAP)	-	-	(1,346,884)	(49,885)	(1,569,503)	(58,130)	(1,374,130)	(50,894)	(704,052)	(26,076)

Scenario Pro Formas (continued)

Robert Bulger Apts, 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	-	-	824,125	30,523	824,125	30,523	824,125	30,523	824,125	30,523
Capital Needs Funded Using Subsidy	176,610	6,541	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	27,260	1,010	27,260	1,010	27,260	1,010	27,260	1,010	27,260	1,010
Replacement Reserves	596,297	22,085	211,660	7,839	261,493	9,685	261,493	9,685	261,493	9,685
Total Funds	800,166	29,636	1,063,045	39,372	1,112,878	41,218	1,112,878	41,218	1,112,878	41,218
USES										
Estimated Capital Needs	732,469	27,128	732,469	27,128	732,469	27,128	732,469	27,128	732,469	27,128
Enhancements	-	-	-	-	-	-	-	-	-	-
Total Uses	732,469	27,128	732,469	27,128	732,469	27,128	732,469	27,128	732,469	27,128
YEAR 20 REPLACEMENT RESERVE BALANCE	67,697	2,507	330,575	12,244	380,409	14,089	380,409	14,089	380,409	14,089

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	212,676	7,877	212,676	7,877	212,676	7,877	212,676	7,877
Operating Deficit Subsidy Needed	35,910	1,330	95,867	3,551	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
Total Operating Subsidy	35,910	1,330	308,543	11,428	212,676	7,877	212,676	7,877	212,676	7,877
CAPITAL SUBSIDY										
Pre-Transaction Capital Subsidy Needed	176,610	6,541	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(247,855)	(9,180)	(373,958)	(13,850)	(102,736)	(3,805)	(102,855)	(3,809)
Transaction Capital Subsidy Needed	n/a	n/a	1,346,884	49,885	1,569,503	58,130	1,374,130	50,894	704,052	26,076
Total Capital Subsidy	176,610	6,541	1,099,029	40,705	1,195,545	44,279	1,271,394	47,089	601,197	22,267
TOTAL SUBSIDY NEEDED	212,519	7,871	1,407,572	52,132	1,408,221	52,156	1,484,070	54,966	813,873	30,143