

## CHFA Capital Plan Property Assessment - Stern Village

### Property Identification

Stern Village  
TRUMBULL, CT

Total Current Unit Count: 222  
Census Tract: 906.00  
Connecticut Congressional District: 4

CHFA Property Identification #: 85195D, 91241D, 85196D, 85197D, 88050D

Current State Sponsored Housing Program: SH Elderly & Congregate

This property was originally financed in phases and appears in CHFA's records as five separate properties. However, lenders and investors are likely to favor larger transactions given the efficiencies of scale and Recap has elected to analyze these properties as a unitary whole. Recap also recommends that the owner and CHFA merge the properties for purposes of reporting, accounting and ownership.

### Property Description

Tenancy Type: Elderly/Disabled  
Structure Type: Low-rise and Multi-Unit Pods  
Number of buildings: 49  
Maximum # of Stories: 2  
Elevator? Yes

Summary property description:

The Stern Village property has 136 efficiency or studio and 86 one-bedroom units. Generally, the property consists of relatively small units. It features amenities such as common laundry, semi-private outdoor space, a common room and a dining room with meal service.

### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 4,315,039  
  
Capital Needs per Unit: \$ 19,437  
  
Projected Year 1 (2014) Operating Income: \$ 121,814

Current operations at the property are projected to generate roughly \$121,800 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 2026. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately \$4.32 million (\$19,437 per unit) over the next 20 years.

**Revenue Adjustments Prior to a Recapitalization Transaction**

Stern Village, continued

Current average income relative to  
the Area Median Income (AMI): 29%

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	110	7%
One-bedroom unit:	125	8%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	110	7%
One-bedroom unit:	125	8%
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**

Stern Village, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	122	122
25-50% of AMI	81	81
50% of AMI or greater	19	19
Total number of units	222	222

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:	110	110
One-bedroom unit:	125	125
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: Stern Village

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	-	(474,286)
Recoverable Grant Scenario:	(5,589,834)	(12,725,244)
CHFA/FHA Scenario:	1,434,010	(9,355,126)
4% LIHTC Scenario:	3,509,238	(9,483,313)
9% LIHTC Scenario:	6,626,487	(9,476,313)

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**

Stern 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	
Replacement Reserve Deposit PUPY:	947	
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 and operating 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:	-	
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 \$121,814 in NOI in the current year, which includes \$947 per unit per year in replacement reserve deposits, trending to negative \$48,075 fifteen years thereafter. The transaction results in \$474,000 in operating deficit subsidy, 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**

Stern Village, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 0  
 Current Routine Capital Needs: 639,505

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	639,505	-	-	-	-	-
2014	338,905	-	-	-	-	-
2015	349,072	-	-	-	-	-
2016	144,795	-	-	-	-	-
2017	116,837	-	-	-	-	-
2018	182,299	-	-	-	-	-
2019	133,239	-	-	-	-	-
2020	66,550	-	-	-	-	-
2021	84,634	-	-	-	-	-
2022	192,273	-	-	-	-	-

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	269,844	-	-	-	-	-
2024	135,785	-	-	-	-	-
2025	214,412	-	-	-	-	-
2026	233,664	-	-	15,109	-	-
2027	143,986	-	-	31,162	-	-
2028	263,985	-	-	48,075	-	-
2029	244,796	-	-	65,885	-	-
2030	264,669	-	-	84,629	-	-
2031	152,010	-	-	104,347	-	-
2032	143,779	-	-	125,079	-	-

**Scenario Pro Formas**

Stern 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
<b>2023 ANNUAL INCOME</b>										
Gross Potential Rent	1,136,718	5,120.35	1,859,487	8,376.07	1,859,487	8,376	1,859,487	8,376	1,859,487	8,376
Vacancy/Loss	(10,559)	(47.56)	(10,559)	(47.56)	(92,974)	(419)	(130,164)	(586)	(130,164)	(586)
Other Income	26,655	120.07	26,655	120.07	26,655	120	26,655	120	26,655	120
<b>Effective Gross Income</b>	<b>1,152,814</b>	<b>5,192.85</b>	<b>1,875,583</b>	<b>8,448.57</b>	<b>1,793,167</b>	<b>8,077</b>	<b>1,755,977</b>	<b>7,910</b>	<b>1,755,977</b>	<b>7,910</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	825,425	3,718	919,204	4,141	896,200	4,037	894,340	4,029	894,340	4,029
Replacement Reserve Deposits	299,166	1,348	299,166	1,348	110,591	498	110,591	498	110,591	498
<b>Total Operating Expenses</b>	<b>1,124,590</b>	<b>5,066</b>	<b>1,218,370</b>	<b>5,488</b>	<b>1,006,791</b>	<b>4,535</b>	<b>1,004,932</b>	<b>4,527</b>	<b>1,004,932</b>	<b>4,527</b>
<b>2023 NET OPERATING INCOME</b>	<b>28,223</b>	<b>127</b>	<b>657,213</b>	<b>2,960</b>	<b>786,376</b>	<b>3,542</b>	<b>751,046</b>	<b>3,383</b>	<b>751,046</b>	<b>3,383</b>
Debt Service	-	-	-	-	465,658	2,098	446,729	2,012	445,729	2,008
<b>2023 CASH FLOW</b>	<b>28,223</b>	<b>127</b>	<b>657,213</b>	<b>2,960</b>	<b>320,718</b>	<b>1,445</b>	<b>304,317</b>	<b>1,371</b>	<b>305,317</b>	<b>1,375</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	-	-	-	-	8,103,084	36,500	7,300,035	32,883	7,756,288	34,938
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	9,125,044	41,104	9,125,044	41,104
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	71,559	322	149,259	672	149,259	672	149,259	672
Cash Escrows	-	-	1,238,309	5,578	1,105,819	4,981	1,105,819	4,981	1,105,819	4,981
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	394,943	1,779	418,709	1,886	417,324	1,880
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	3,852,978	17,356	6,514,942	29,347
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>1,309,868</b>	<b>5,900</b>	<b>9,753,105</b>	<b>43,933</b>	<b>21,951,845</b>	<b>98,882</b>	<b>25,068,677</b>	<b>112,922</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	9,125,044	41,104	9,125,044	41,104
Construction Costs	-	-	5,387,729	24,269	5,387,729	24,269	5,447,435	24,538	5,447,435	24,538
Soft Costs - Design & Construction	-	-	586,704	2,643	578,212	2,605	592,376	2,668	592,376	2,668
Soft Costs - Due Diligence	-	-	25,065	113	43,665	197	65,787	296	65,787	296
Soft Costs - Transaction Costs	-	-	92,059	415	172,059	775	329,033	1,482	329,033	1,482
Soft Costs - Financing	-	-	176,815	796	617,459	2,781	856,401	3,858	858,618	3,868
Soft Costs - Other	-	-	127,650	575	144,300	650	144,300	650	144,300	650
Soft Cost Contingency	-	-	50,415	227	77,785	350	90,770	409	89,597	404
Reserves	-	-	-	-	310,529	1,399	744,688	3,354	746,689	3,363
Developer Fee	-	-	453,265	2,042	987,357	4,448	1,046,772	4,715	1,043,311	4,700
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>6,899,702</b>	<b>31,080</b>	<b>8,319,095</b>	<b>37,473</b>	<b>18,442,607</b>	<b>83,075</b>	<b>18,442,190</b>	<b>83,073</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(5,589,834)</b>	<b>(25,179)</b>	<b>1,434,010</b>	<b>6,460</b>	<b>3,509,238</b>	<b>15,807</b>	<b>6,626,487</b>	<b>29,849</b>

**Scenario Pro Formas (continued)**

Stern 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
<b>FUNDS</b>										
Transaction Rehab	-	-	4,157,971	18,730	4,157,971	18,730	4,157,971	18,730	4,157,971	18,730
Capital Needs Funded Using Subsidy	-	-	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	1,366,916	6,157	1,366,916	6,157	1,366,916	6,157	1,366,916	6,157	1,366,916	6,157
Replacement Reserves	6,617,399	29,808	5,816,213	26,199	2,150,055	9,685	2,150,055	9,685	2,150,055	9,685
<b>Total Funds</b>	<b>7,984,315</b>	<b>35,965</b>	<b>11,341,100</b>	<b>51,086</b>	<b>7,674,941</b>	<b>34,572</b>	<b>7,674,941</b>	<b>34,572</b>	<b>7,674,941</b>	<b>34,572</b>
<b>USES</b>										
Estimated Capital Needs	4,315,039	19,437	4,315,039	19,437	4,315,039	19,437	4,315,039	19,437	4,315,039	19,437
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>4,315,039</b>	<b>19,437</b>	<b>4,315,039</b>	<b>19,437</b>	<b>4,315,039</b>	<b>19,437</b>	<b>4,315,039</b>	<b>19,437</b>	<b>4,315,039</b>	<b>19,437</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>3,669,276</b>	<b>16,528</b>	<b>7,026,060</b>	<b>31,649</b>	<b>3,359,902</b>	<b>15,135</b>	<b>3,359,902</b>	<b>15,135</b>	<b>3,359,902</b>	<b>15,135</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	11,678,595	52,606	11,678,595	52,606	11,678,595	52,606	11,678,595	52,606
Operating Deficit Subsidy Needed	474,286	2,136	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	-	-	-	-	-	-	-	-
<b>Total Operating Subsidy</b>	<b>474,286</b>	<b>2,136</b>	<b>11,678,595</b>	<b>52,606</b>	<b>11,678,595</b>	<b>52,606</b>	<b>11,678,595</b>	<b>52,606</b>	<b>11,678,595</b>	<b>52,606</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	0	-	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(4,543,184)	(20,465)	(2,323,469)	(10,466)	(2,195,282)	(9,889)	(2,202,282)	(9,920)
Transaction Capital Subsidy Needed	n/a	n/a	5,589,834	25,179	-	-	-	-	-	-
<b>Total Capital Subsidy</b>	<b>-</b>	<b>-</b>	<b>1,046,650</b>	<b>4,715</b>	<b>(2,323,469)</b>	<b>(10,466)</b>	<b>(2,195,282)</b>	<b>(9,889)</b>	<b>(2,202,282)</b>	<b>(9,920)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>474,286</b>	<b>2,136</b>	<b>12,725,244</b>	<b>57,321</b>	<b>9,355,126</b>	<b>42,140</b>	<b>9,483,313</b>	<b>42,718</b>	<b>9,476,313</b>	<b>42,686</b>