

## CHFA Capital Plan Property Assessment - Buckingham Terrace, Country Ridge, Truman Terrace

### Property Identification

Buckingham Terrace, Country Ridge, Truman Terrace  
WATERTOWN, CT

Total Current Unit Count: 120  
Census Tract: 3601.00  
Connecticut Congressional District: 5

CHFA Property Identification #: 85215D, 98078D, 85214D  
Current State Sponsored Housing Program: SH Elderly

These properties were originally financed separately and appear in CHFA's records as three 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: Row House  
Number of buildings: 27  
Maximum # of Stories: 2  
Elevator? None

Summary property description:

The Buckingham Terrace, Country Ridge & Truman Terrace property has 58 efficiency or studio and 62 one-bedroom units. Generally, the property consists of relatively small units. It features amenities such as common laundry, semi-private outdoor space, and a common room.

### Current Operating & Capital Needs Status

Aggregate Capital Needs  
(without market enhancements): \$ 5,658,771  
  
Capital Needs per Unit: \$ 47,156  
  
Projected Year 1 (2014) Operating Income: \$ 56,539

Current operations at the property are projected to generate roughly \$56,500 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 results in negative NOI beginning in 2024. As a result, the property is not sustainable and cannot adequately address its future basic capital needs, projected to be approximately \$5.66 million (\$47,156 per unit) over the next 20 years.

**Revenue Adjustments Prior to a Recapitalization Transaction**

Buckingham Terrace, Country Ridge, Truman Terrace, continued

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

	Current Base Rent	Affordability (% AMI)
Studio/efficiency unit:	100	7%
One-bedroom unit:	105	6%
Two-bedroom unit:		
Three-bedroom unit:		
Four-bedroom unit:		
Five-bedroom unit:		
Six-bedroom unit:		

	Proposed Base Rent	Affordability (% AMI)
Studio/efficiency unit:	100	7%
One-bedroom unit:	105	6%
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

Total rental operating subsidy necessary  
assuming a turnover-based leasing strategy: n/a

**Revenue Adjustments Concurrent with a Recapitalization Transaction**

Buckingham Terrace, Country Ridge, Truman Terrace, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	53	53
25-50% of AMI	63	63
50% of AMI or greater	4	4
Total number of units	120	120

With the revenue generated by the increase in the base rent or the provision of an equivalent operating subsidy, the property should operate under a sustainable revenue picture for the foreseeable future. As a result, no additional revenue adjustments from income mixing are recommended in connection with the transaction.

	Pre-Trans. Base Rent	Post-Trans. Base Rent
Studio/efficiency unit:	100	100
One-bedroom unit:	105	105
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

Transitional rental operating subsidy necessary to protect current residents and permit a five-year transition to income tier occupancy: n/a

Property used for market reference: Buckingham Terrace

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(1,803,277)	(2,189,896)
Recoverable Grant Scenario:	(9,210,232)	(8,650,376)
CHFA/FHA Scenario:	(6,459,443)	(6,760,176)
4% LIHTC Scenario:	(3,937,001)	(4,316,234)
9% LIHTC Scenario:	(95,980)	(454,961)

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**

Buckingham Terrace, Country Ridge, Truman Terrace, 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 \$1,803,277 over the course of the next 20 years.
Replacement Reserve Deposit PUPY:	940	
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:	1,803,277	
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 \$56,539 in NOI in the current year, which includes \$940 per unit per year in replacement reserve deposits, trending to negative \$41,282 fifteen years thereafter. The transaction results in a capital subsidy need of \$1,803,277 and \$386,619 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**

Buckingham Terrace, Country Ridge, Truman Terrace, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 24,085  
 Current Routine Capital Needs: 259,334

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	283,420	-	-	-	-	-
2014	181,981	-	-	-	-	-
2015	379,167	88,023	-	-	-	-
2016	143,982	-	-	-	-	-
2017	365,132	171,842	-	-	-	-
2018	243,893	76,031	-	-	-	-
2019	356,263	189,087	-	-	-	-
2020	409,288	242,933	-	-	-	-
2021	133,477	-	-	-	-	-
2022	404,660	208,462	-	-	-	-

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	106,352	-	-	-	-	-
2024	153,523	-	-	5,435	-	-
2025	56,069	-	-	13,712	-	-
2026	145,952	-	-	22,433	-	-
2027	185,061	-	-	31,617	-	-
2028	241,290	-	-	41,282	-	-
2029	878,193	495,551	-	51,450	-	-
2030	468,293	256,953	-	62,140	-	-
2031	220,041	247	-	73,374	-	-
2032	302,734	74,149	-	85,175	-	-

**Scenario Pro Formas**

Buckingham Terrace, Country Ridge, Truman Terrace, 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	627,616	5,230.13	964,990	8,041.59	964,990	8,042	964,990	8,042	964,990	8,042
Vacancy/Loss	(6,789)	(56.57)	(6,789)	(56.57)	(48,250)	(402)	(67,549)	(563)	(67,549)	(563)
Other Income	10,920	91.00	10,920	91.00	10,920	91	10,920	91	10,920	91
<b>Effective Gross Income</b>	<b>631,747</b>	<b>5,264.56</b>	<b>969,121</b>	<b>8,076.01</b>	<b>927,661</b>	<b>7,731</b>	<b>908,361</b>	<b>7,570</b>	<b>908,361</b>	<b>7,570</b>
<b>2023 ANNUAL EXPENSES</b>										
Operating Expenses	468,730	3,906	517,186	4,310	501,100	4,176	500,135	4,168	500,135	4,168
Replacement Reserve Deposits	160,601	1,338	160,601	1,338	59,779	498	59,779	498	59,779	498
<b>Total Operating Expenses</b>	<b>629,331</b>	<b>5,244</b>	<b>677,787</b>	<b>5,648</b>	<b>560,879</b>	<b>4,674</b>	<b>559,914</b>	<b>4,666</b>	<b>559,914</b>	<b>4,666</b>
<b>2023 NET OPERATING INCOME</b>	<b>2,416</b>	<b>20</b>	<b>291,335</b>	<b>2,428</b>	<b>366,782</b>	<b>3,057</b>	<b>348,447</b>	<b>2,904</b>	<b>348,447</b>	<b>2,904</b>
Debt Service	-	-	-	-	220,527	1,838	213,094	1,776	209,978	1,750
<b>2023 CASH FLOW</b>	<b>2,416</b>	<b>20</b>	<b>291,335</b>	<b>2,428</b>	<b>146,255</b>	<b>1,219</b>	<b>135,353</b>	<b>1,128</b>	<b>138,469</b>	<b>1,154</b>

**Sources and Uses Analysis**

	CURRENT		RECOVERABLE GRANT		CHFA/FHA		4% LIHTC		9% LIHTC	
	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
<b>SOURCES</b>										
Hard Debt										
Commercial Debt 1	-	-	-	-	3,837,474	31,979	3,438,967	28,658	3,653,903	30,449
Commercial Debt 2	-	-	-	-	-	-	-	-	-	-
Tax-Exempt Bond	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-	-	-	4,298,709	35,823	4,298,709	35,823
State	-	-	-	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other										
From Operations	-	-	55,453	462	97,453	812	97,453	812	97,453	812
Cash Escrows	-	-	380,035	3,167	235,529	1,963	235,529	1,963	235,529	1,963
Grant	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	543,508	4,529	562,745	4,690	560,363	4,670
Equity										
GP Contribution	-	-	-	-	-	-	-	-	-	-
LIHTC	-	-	-	-	-	-	3,621,768	30,181	7,237,727	60,314
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>435,488</b>	<b>3,629</b>	<b>4,713,965</b>	<b>39,283</b>	<b>12,255,172</b>	<b>102,126</b>	<b>16,083,684</b>	<b>134,031</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-	-	-	4,298,709	35,823	4,298,709	35,823
Construction Costs	-	-	7,728,727	64,406	7,728,727	64,406	7,814,375	65,120	7,814,375	65,120
Soft Costs - Design & Construction	-	-	820,268	6,836	808,085	6,734	827,119	6,893	827,119	6,893
Soft Costs - Due Diligence	-	-	22,774	190	36,274	302	47,536	396	47,536	396
Soft Costs - Transaction Costs	-	-	75,953	633	155,953	1,300	335,511	2,796	335,511	2,796
Soft Costs - Financing	-	-	234,226	1,952	763,254	6,360	882,667	7,356	877,187	7,310
Soft Costs - Other	-	-	69,000	575	78,000	650	78,000	650	78,000	650
Soft Cost Contingency	-	-	61,111	509	92,078	767	99,310	828	97,294	811
Reserves	-	-	-	-	152,264	1,269	402,083	3,351	403,025	3,359
Developer Fee	-	-	633,660	5,281	1,358,771	11,323	1,406,863	11,724	1,400,908	11,674
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>9,645,720</b>	<b>80,381</b>	<b>11,173,408</b>	<b>93,112</b>	<b>16,192,173</b>	<b>134,935</b>	<b>16,179,664</b>	<b>134,831</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(9,210,232)</b>	<b>(76,752)</b>	<b>(6,459,443)</b>	<b>(53,829)</b>	<b>(3,937,001)</b>	<b>(32,808)</b>	<b>(95,980)</b>	<b>(800)</b>

**Scenario Pro Formas (continued)**

Buckingham Terrace, Country Ridge, Truman Terrace, 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	-	-	5,964,632	49,705	5,964,632	49,705	5,964,632	49,705	5,964,632	49,705
Capital Needs Funded Using Subsidy	1,803,277	15,027	-	-	-	-	-	-	-	-
Existing Replacement Reserve Balance	418,000	3,483	418,000	3,483	418,000	3,483	418,000	3,483	418,000	3,483
Replacement Reserves	3,437,493	28,646	3,122,313	26,019	1,162,192	9,685	1,162,192	9,685	1,162,192	9,685
<b>Total Funds</b>	<b>5,658,771</b>	<b>47,156</b>	<b>9,504,945</b>	<b>79,208</b>	<b>7,544,823</b>	<b>62,874</b>	<b>7,544,823</b>	<b>62,874</b>	<b>7,544,823</b>	<b>62,874</b>
<b>USES</b>										
Estimated Capital Needs	5,658,771	47,156	5,658,771	47,156	5,658,771	47,156	5,658,771	47,156	5,658,771	47,156
Enhancements	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	<b>5,658,771</b>	<b>47,156</b>	<b>5,658,771</b>	<b>47,156</b>	<b>5,658,771</b>	<b>47,156</b>	<b>5,658,771</b>	<b>47,156</b>	<b>5,658,771</b>	<b>47,156</b>
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	<b>-</b>	<b>-</b>	<b>3,846,174</b>	<b>32,051</b>	<b>1,886,053</b>	<b>15,717</b>	<b>1,886,053</b>	<b>15,717</b>	<b>1,886,053</b>	<b>15,717</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	1,271,609	10,597	1,271,609	10,597	1,271,609	10,597	1,271,609	10,597
Operating Deficit Subsidy Needed	386,619	3,222	-	-	0	-	0	-	0	-
Income Mixing Operating Subsidy Needed	n/a	n/a	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Total Operating Subsidy</b>	<b>386,619</b>	<b>3,222</b>	<b>1,271,609</b>	<b>10,597</b>	<b>1,271,609</b>	<b>10,597</b>	<b>1,271,609</b>	<b>10,597</b>	<b>1,271,609</b>	<b>10,597</b>
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	1,803,277	15,027	-	-	-	-	-	-	-	-
Recoverable Cash Flow	n/a	n/a	(1,831,465)	(15,262)	(970,876)	(8,091)	(892,376)	(7,436)	(912,628)	(7,605)
Transaction Capital Subsidy Needed	n/a	n/a	9,210,232	76,752	6,459,443	53,829	3,937,001	32,808	95,980	800
<b>Total Capital Subsidy</b>	<b>1,803,277</b>	<b>15,027</b>	<b>7,378,767</b>	<b>61,490</b>	<b>5,488,567</b>	<b>45,738</b>	<b>3,044,625</b>	<b>25,372</b>	<b>(816,648)</b>	<b>(6,805)</b>
<b>TOTAL SUBSIDY NEEDED</b>	<b>2,189,896</b>	<b>18,249</b>	<b>8,650,376</b>	<b>72,086</b>	<b>6,760,176</b>	<b>56,335</b>	<b>4,316,234</b>	<b>35,969</b>	<b>454,961</b>	<b>3,791</b>