

### CHFA Capital Plan Property Assessment - Patchogue Place Cooperative

#### Property Identification

Patchogue Place Cooperative  
Westbrook, CT

Total Current Unit Count: 12  
Census Tract: 3055  
Connecticut Congressional District: -

CHFA Property Identification #: 95135D

Current State Sponsored Housing Program: SH Limited Equity

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: Family  
Structure Type: Duplex  
Number of buildings: 6  
Maximum # of Stories: 2  
Elevator? None

Summary property description:

The Patchogue Place Cooperative property has 7 two-bedroom and 5 three-bedroom units. Generally, the property consists of reasonably sized units. It features amenities such as in-unit laundry hook-up, as well as floating decks.

#### Current Situation

Aggregate Capital Needs  
(without market enhancements): \$ 1,674,210  
  
Capital Needs per Unit: \$ 139,518  
  
Projected Year 1 (2014) Operating Income: \$ 27,108

The information in CHFA's database regarding current income and expenses is quite limited. As a result, this assessment does not attempt to analyze current or projected net operating income. The capital needs over the next 20 years are set forth to the left, in both a total and a per unit figure. Ongoing deposits into the property's replacement reserve account will cover some of these expenses and many of these expenses will not come due for several years. The members of the co-op should carefully examine the replacement reserve budget projections to determine whether the monthly deposits are sufficient to give the property the resources it will need to fully cover the capital needs in a stable, sustainable, way.

Current average income relative to  
the Area Median Income (AMI): Not available

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

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

As noted above, the income and expense figures were not reliably available for analysis so it is impossible for the Capital Plan to make a judgment as to the property's ability to operate in a sustainable manner into the foreseeable future. If the owners determine that the long-term revenue picture is inadequate, greater revenue can be achieved either through operating subsidy from the state or federal government (which is in tension with the ownership model of the limited equity co-op) or through higher carrying charges paid by the residents into the property accounts.

The current carrying charges and affordability are not available and therefore not included in this analysis. The co-op's owners will need to compare their current carrying charges against what is considered a typical payment for shelter costs. For reference purposes, the US Dept. of Housing and Urban Development often uses 30% of each household's adjusted gross income as a measure of whether a household's shelter costs are "affordable." For homeowners, the figures are often higher. The Federal Housing Administration (FHA) permits a 31% ratio between the monthly mortgage payment and income, and sometimes up to 43% when including insurance, taxes, homeowner's dues, etc.

A higher carrying charge could burden the co-op's owner households, so if additional revenue is needed, a long planning and transition period may be appropriate. The limited equity co-op has certain characteristics of both rental and homeownership tenures so the co-op's members would need to identify an appropriate level of affordability.

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**

Patchogue Place Cooperative, continued

Household Income Level	Current Income Mix	Proposed Income Mix
0-25% of AMI	n/a	n/a
25-50% of AMI	n/a	n/a
50% of AMI or greater	n/a	n/a
Total number of units	12	12

As noted above, carry charges and expense information was not available for analysis.

	Pre-Trans. Base Rent	Post-Trans. Base Rent
Studio/efficiency unit:	n/a	n/a
One-bedroom unit:	n/a	n/a
Two-bedroom unit:	n/a	n/a
Three-bedroom unit:	n/a	n/a
Four-bedroom unit:	n/a	n/a
Five-bedroom unit:	n/a	n/a
Six-bedroom unit:	n/a	n/a

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: Worthington Manor

	Capital Surplus or (Gap)	Total (Gap) Funded by Subsidy inc. Capital & Operating
Current Scenario (excluding transaction costs):	(1,674,210)	(1,674,210)
Recoverable Grant Scenario:	(2,073,596)	(2,073,596)
CHFA/FHA Scenario:	-	-
4% LIHTC Scenario:	-	-
9% LIHTC Scenario:	-	-

The Capital Plan analysis typically 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 with a reflection of whether there is a capital surplus or gap. 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. 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). Due to the limited data available, the current scenario has been recommended for nearly all co-ops.

- The second scenario, the "Recoverable Grant Scenario" assumes 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 three remaining scenarios - "CHFA/FHA," "4% LIHTC" and "9% LIHTC" correspond to three different leverage transaction structures. However, the 4% LIHTC and 9% LIHTC structures are only appropriate for rental properties. For a limited equity co-op, the LIHTC structures would be inappropriate as they would represent a loss of owner equity. The CHFA/FHA scenario is a debt-only scenario and is the primary leverage scenario available for co-ops. Unfortunately, however, it is impossible to estimate the viability of a debt scenario if the operating revenue and expense figures - which determine the availability of funds to support debt payments - are unavailable.

**Recommended Transaction and Transaction Assumptions**

Patchogue Place Cooperative, continued

Recommended Transaction Option:	Current	Given the limited data available, the Capital Plan assumes that the property, as currently operated, generates sufficient income to cover its operating expenses without any State operating subsidy. However, the replacement reserve analysis in the capital needs assessment indicates that, over time, the co-op may have trouble assembling sufficient funds to cover its capital needs as they arise.
Recommended Transaction Year	n/a	Given the current replacement reserve balance and the projected capital needs over time, the property will struggle to meet its 20-year capital needs purely from its own resources. 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.
Replacement Reserve Deposit PUPY:	-	
Debt Service Coverage in Transaction Year:	-	
Debt Service Coverage in Transaction Year 15:	-	These grants, identified as "Pre-Transaction Subsidy" (since no consolidated transaction is proposed), would total \$1,674,210 over the course of the next 20 years. This approach would require the State to have a much more active role in supervising both capital and operating budgets, in order to ensure that the subsidy is only what is minimally needed to keep the property well maintained. This level of oversight would correspond to a loss of owner autonomy.
Pre-Transaction Capital Subsidy Needed:	1,674,210	
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.

**Summary of Recommended Transaction**

The Capital Plan recommends the Current Scenario for this co-op property primarily because of the limited data available with respect to the property's income and expenses, and consequently its ability to leverage debt. The Current Scenario does, however, require the State to have a much more active role in approving the budgets and capital investments at the property. The Capital Plan recommends, however, that the owner share with the State more detailed information about the property's carrying charges and operating expenses so that a more appropriate strategy which maximizes the co-op owner's independence can be identified.

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

Patchogue Place Cooperative, continued

Immediate Emergency Capital Needs: 0  
 Current Deferred Capital Needs: 4,804  
 Current Routine Capital Needs: 123,345

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	128,149	128,149	-	-	-	-
2014	36,703	36,703	-	-	-	-
2015	37,804	37,804	-	-	-	-
2016	3,288	3,288	-	-	-	-
2017	3,387	3,387	-	-	-	-
2018	454,956	454,956	-	-	-	-
2019	31,884	31,884	-	-	-	-
2020	32,840	32,840	-	-	-	-
2021	5,712	5,712	-	-	-	-
2022	3,926	3,926	-	-	-	-

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	138,499	138,499	-	-	-	-
2024	311,913	311,913	-	-	-	-
2025	7,603	7,603	-	-	-	-
2026	4,419	4,419	-	-	-	-
2027	4,551	4,551	-	-	-	-
2028	43,650	43,650	-	-	-	-
2029	22,861	22,861	-	-	-	-
2030	384,695	384,695	-	-	-	-
2031	9,496	9,496	-	-	-	-
2032	7,875	7,875	-	-	-	-

**Scenario Pro Formas**

Patchogue Place Cooperative, 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>2014 ANNUAL INCOME</b>										
Gross Potential Rent	66,750	5,562.50	66,750	5,562.50	-	-	-	-	-	-
Vacancy/Loss	(1,815)	(151.25)	(1,815)	(151.25)						
Other Income	1,865	155.42	1,865	155.42						
<b>Effective Gross Income</b>	<b>66,800</b>	<b>5,566.67</b>	<b>66,800</b>	<b>5,566.67</b>	-	-	-	-	-	-
<b>2014 ANNUAL EXPENSES</b>										
Operating Expenses	39,692	3,308	39,692	3,308						
Replacement Reserve Deposits	-	-	-	-						
<b>Total Operating Expenses</b>	<b>39,692</b>	<b>3,308</b>	<b>39,692</b>	<b>3,308</b>	-	-	-	-	-	-
<b>2014 NET OPERATING INCOME</b>	<b>27,108</b>	<b>2,259</b>	<b>27,108</b>	<b>2,259</b>	-	-	-	-	-	-
Debt Service	-	-								
<b>2014 CASH FLOW</b>	<b>27,108</b>	<b>2,259</b>	<b>27,108</b>	<b>2,259</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	-	-	-	-						
Commercial Debt 2	-	-	-	-						
Tax-Exempt Bond	-	-	-	-						
Other	-	-	-	-						
Soft Debt										
Seller Financing/Take Back Note	-	-	-	-						
State	-	-	-	-						
Local	-	-	-	-						
Other	-	-	-	-						
Other										
From Operations	-	-	-	-						
Cash Escrows	-	-	-	-						
Grant	-	-	-	-						
Other	-	-	-	-						
Other	-	-	-	-						
Deferred Developer Fee	-	-	-	-						
Equity										
GP Contribution	-	-	-	-						
LIHTC	-	-	-	-						
Other	-	-	-	-						
<b>Total Sources of Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>USES</b>										
Acquisition Costs	-	-	-	-						
Construction Costs	-	-	1,648,393	137,366						
Soft Costs - Design & Construction	-	-	188,179	15,682						
Soft Costs - Due Diligence	-	-	10,078	840						
Soft Costs - Transaction Costs	-	-	20,500	1,708						
Soft Costs - Financing	-	-	49,563	4,130						
Soft Costs - Other	-	-	6,900	575						
Soft Cost Contingency	-	-	13,761	1,147						
Reserves	-	-	-	-						
Developer Fee	-	-	136,222	11,352						
<b>Total Uses of Funds</b>	<b>-</b>	<b>-</b>	<b>2,073,596</b>	<b>172,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSACTION SURPLUS (GAP)</b>	<b>-</b>	<b>-</b>	<b>(2,073,596)</b>	<b>(172,800)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Scenario Pro Formas (continued)**

Patchogue Place Cooperative, 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	-	-	1,272,144	106,012						
Capital Needs Funded Using Subsidy	1,674,210	139,518	-	-						
Existing Replacement Reserve Balance	-	-	-	-						
Replacement Reserves	-	-	-	-						
<b>Total Funds</b>	<b>1,674,210</b>	<b>139,518</b>	<b>1,272,144</b>	<b>106,012</b>	-	-	-	-	-	-
<b>USES</b>										
Estimated Capital Needs	1,674,210	139,518	1,674,210	139,518						
Enhancements	-	-	-	-						
<b>Total Uses</b>	<b>1,674,210</b>	<b>139,518</b>	<b>1,674,210</b>	<b>139,518</b>	-	-	-	-	-	-
<b>YEAR 20 REPLACEMENT RESERVE BALANCE</b>	-	-	(402,066)	(33,505)	-	-	-	-	-	-

**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	n/a	n/a						
Operating Deficit Subsidy Needed	0	-	-	-						
Income Mixing Operating Subsidy Needed	n/a	n/a	n/a	n/a						
<b>Total Operating Subsidy</b>	-	-	-	-	-	-	-	-	-	-
<b>CAPITAL SUBSIDY</b>										
Pre-Transaction Capital Subsidy Needed	1,674,210	139,518	-	-						
Recoverable Cash Flow	n/a	n/a	-	-						
Transaction Capital Subsidy Needed	n/a	n/a	2,073,596	172,800						
<b>Total Capital Subsidy</b>	<b>1,674,210</b>	<b>139,518</b>	<b>2,073,596</b>	<b>172,800</b>	-	-	-	-	-	-
<b>TOTAL SUBSIDY NEEDED</b>	<b>1,674,210</b>	<b>139,518</b>	<b>2,073,596</b>	<b>172,800</b>	-	-	-	-	-	-