

Connecticut State Sponsored Housing Portfolio Capital Plan

Client: Connecticut Housing Finance Authority

Recap Real Estate Advisors completed a 10-year Capital Plan for the Connecticut State Sponsored Housing Portfolio (SSHP) in March 2014. The Capital Plan report presents the condition of the portfolio, prospects for recapitalization with the resources available, and policy recommendations for implementing the Plan. Recap's analysis determined that when strategically paired with private debt and equity resources, the State's proposed \$300 million capital and \$1.5 million annual rental assistance investment is sufficient to put every SSHP property on a sustainable long term path.

The SSHP capital planning process included capital needs assessments for 299 properties, market studies for a representative sample of 125 properties, and an owner questionnaire to elicit owner perspectives and gauge capacity to implement recapitalization transactions. Recap also explored green capital investments and architectural redesign concepts for an illustrative sample of properties. These streams of information were integrated, together with rent rolls and financial operating data, to produce site-by-site recapitalization recommendations for the portfolio's 10,753 units.



The initial analysis found that the majority of SSHP properties are either too small to support a recapitalization transaction or have projected negative net operating income. In response, Recap proposed modifications to the SSHP rent setting policies, clustering of small sites together to achieve scale, principals to allocate the State's rental assistance program funding, and operating subsidies to protect current residents when rent increases were recommended. The site-specific analyses were aggregated into a 10-year investment plan for the State. Informed by the study results, Recap developed policy recommendations to improve and simplify SSHP performance, regulation, and oversight. With implementation of Recap's recommendations, all of the properties in the portfolio can address their capital needs through relatively straightforward financing structures – low income housing tax credits, existing replacement reserves and rental revenue, new first mortgage financing, or recoverable grants.

For more information on the Connecticut SSHP Capital Plan, please contact Zoe Weinrobe at 617-338-9484 or zweinrobe@recapadvisors.com.

The Capital Plan report in its entirety can be downloaded from www.chfa.org/Press%20Room/Press%20Releases/pressreleaseviewer.aspx?id=528.