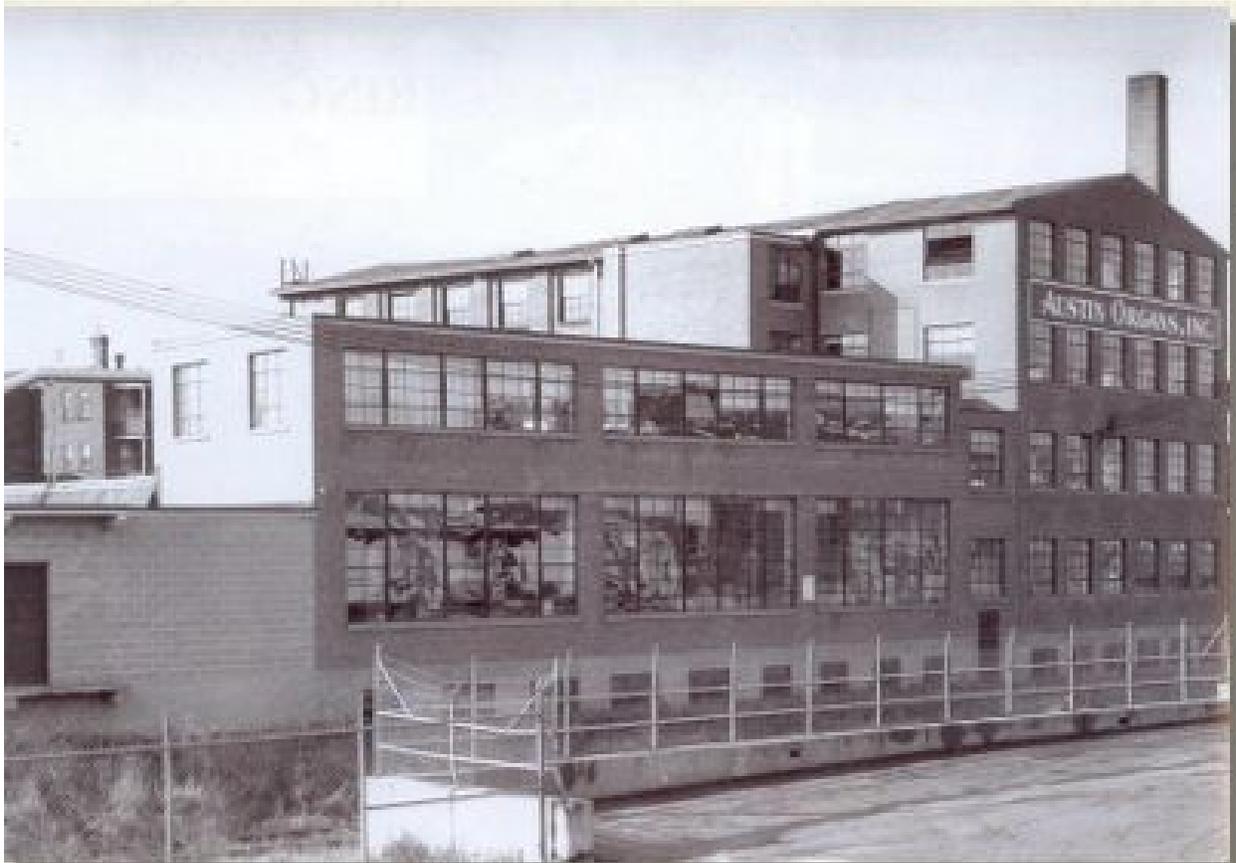


Austin Organ Company Factory Rehabilitation

“Behind Chrysalis”

Financial Feasibility Analysis



Austin Organ Company Factory¹

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¹ <http://www.austinorgans.com/aoifacilities.html>

Table of Contents:

INTRODUCTION	3
SITE INFORMATION	4
LOCATION	4
NEIGHBORHOOD HISTORY	5
SITE HISTORY	6
PHYSICAL SITE DESCRIPTION	6
BUILDING SIZE AND PROPERTY LAND	8
ZONING AND USE	8
CONSTRUCTION DEVELOPMENT	8
CONSIDERATIONS	8
ELEMENTS OF THE REDEVELOPMENT	9
DEVELOPMENT SCENARIOS	11
SWOT ANALYSIS	13
FINANCIAL FEASIBILITY & ANALYSIS	14
FEDERAL AND STATE FUNDING OPPORTUNITIES	14
SCENARIO COMPARISON	17
FINANCIAL SUMMARY AND ASSUMPTIONS	19
IMPACT ANALYSIS	22
CONCLUSION	24
APPENDIX	26
QAP and LIHTC Criteria	26
Hartford Income Limits For LIHTC Developments	27
Brief Definition of Available Sources of Funding	28
Local Organizations	29

1. INTRODUCTION

Hartford Connecticut, known as the insurance capital of the world, has suffered severe economic fallout in recent times due to the migration of large insurance firms from the area. These firms formerly constituted a large percentage of the city's economic activity and were a draw for talent to the city. Over the past decade, the departure of Hartford's insurance sector has taken with it the talent and economic activity that was once fundamental to the community's social and economic environment. Since, crime and poverty rates have risen steadily and high school, as well as college graduation rates, have experienced a rapid decline. As a result of these metrics, the area has become increasingly unattractive for businesses and individuals alike forcing the city into a perpetual state of erosion.

Across the board, Hartford ranks in the lowest percentiles regarding income, poverty, employment, and education, and the result is a city with little civic engagement, limited tax-base, restricted business development opportunities, and meager attractiveness to companies and entities.

We seek to break this downward spiral and initiate the economic recovery we believe Hartford is well positioned for by providing affordable and market-rate living solutions as well as multi-use commercial space under one roof. By overtaking the existing renovation efforts of an ex-organ factory, we are confident we can address Hartford's growing need for affordable housing, encourage unity across economic classes and ultimately contribute to the return of economic and community development to the area.

Our earlier research about Hartford identified several community needs:

- Need of affordable housing to increase number of residents
- Need of educational opportunities to supply an educated workforce
- Need for economic activity to attract small businesses
- Need to increase tax revenue

Not only our development project addresses previously identified community needs, but it also provides its investors an opportunity to achieve higher than expected internal rate of return (please refer to the Financial Summary and attached Proforma for financial details).

2. SITE INFORMATION

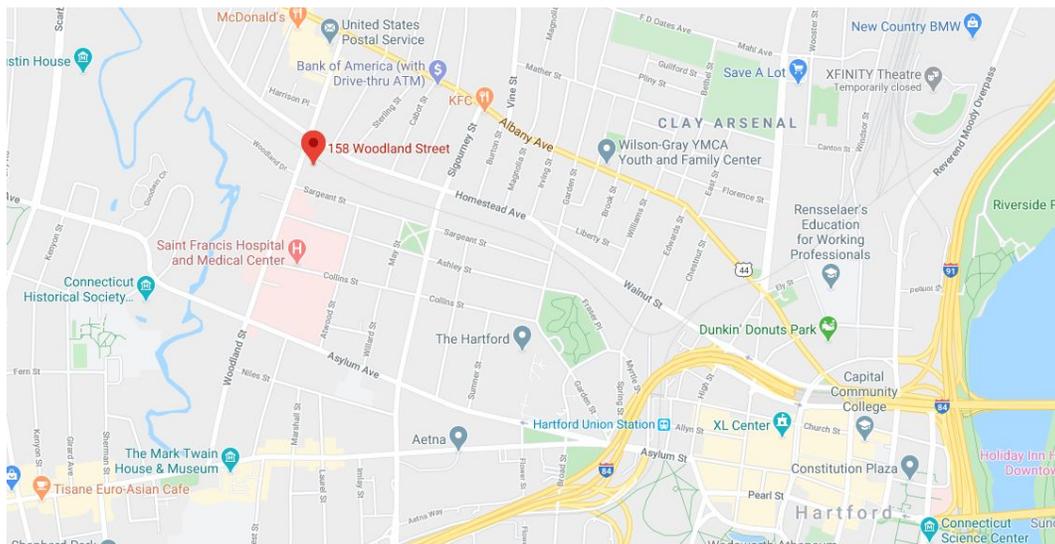
2.1. LOCATION

Address: 158 Woodland Street, Hartford, CT

The property is located one and a half miles west from downtown Hartford, CT in Hartford's most historic neighborhood, Asylum Hill, with grand Victorian residences, apartment houses, large institutional buildings, and churches from several important time periods in Hartford's history.

The property is conveniently located near public transportation stops of buses and trains, two bike lanes, and minutes away from highways I-84 and I-91. The next door property is a pizza restaurant and fish market.

The site is also located only two blocks away from the St. Francis hospital, the second largest hospital in Connecticut and of the top ranked hospitals in New England with hundreds of employees and thousands of visitors. On the other side of the property is Chrysalis Center, a private, non-profit, socially innovative multi service organization that helps those living in poverty, veterans, women and children, young adults and individuals.² The project opens up a wonderful opportunity for cooperation.



² <https://chrysaliscenterct.org/about/>

2.2. NEIGHBORHOOD HISTORY³

The Asylum Hill neighborhood experienced a flurry of building activity starting in the early 1890s and into the 1920s. The delineation of the neighborhood streets rapidly followed the laying of tracks by the Connecticut Western Railroad north of Austin Organ Company factory. As builders like Fred Mahl (1846-1897) erected multitudes of homes within a short span of time, many replications of similar or identical plans, the streets within the Sigourney Square Historic District began to fill in. Largely characterized as a middle-class residential neighborhood, the majority of homes built were comfortable single- or two-family homes of frame or brick construction and typically 2 ½-stories in height.

In the early decades of the nineteenth century, an increasing scarcity of open land and rising demands for housing spurred a rise in the construction of larger multi-family or apartment buildings. Furthermore, the relocation of a number of Hartford's most notable insurance companies from an increasingly crowded downtown business district into Asylum Hill during the 1920s and 1930s further drove shifting neighborhood development patterns. The arrival of firms such as Aetna Life and Casualty Insurance Company, The Hartford Fire Insurance Company, and the Connecticut Mutual Life Insurance Company created a spike in the demand for rental housing that an influx of clerical workers could afford.

Many of the buildings were designed by Hartford architect George A. Zunner. Zunner is one of the most prolific architects of Hartford. He came to the United States from Germany at the age of 21. After working as an architect supervisor at the Chicago World's Fair from 1891 to 1893, and then practicing in Boston, Zunner established himself in Hartford in 1896. Over the course of his 40-years in the city, Zunner designed dozens of its buildings and was also active in local affairs, serving on the Hartford Building Commission, High School Plan and Building Commission, and High School Committee. A number of examples of Zunner's work could be found throughout Sigourney Square Historic District, however several have been lost to the wrecker's ball since the district's historic designation in 1978. From the popular Perfect Six to Collegiate Gothic or Tudor Revival apartment building, Zunner designed affordable yet attractive residences, largely for a middle-class clientele.

³ <https://www.hartfordpreservation.org/historic-districts/>

2.3. SITE HISTORY

The Austin Organ Company Factory is a state registered historic place.⁴ It is significant because of the important role the company played in Hartford's economic history. For over a century, Austin organs have been one of the products that made the city's name well-known throughout the country and even abroad. This factory was the place where Austin organs were manufactured from 1899 to 1937, when the company was reorganized as Austin Organs, Inc. and moved to the adjacent property just east of its original factory.

The Austin Organ Company's chief business was manufacturing large high-quality church, theater, and auditorium organs, though it also had a line of residential instruments marketed to the very wealthy. Austin Organs were noted for their technical innovations, including a console that was especially compact and reliable, and, most importantly, the distinctive Universal Air Chest, which provided an exceptional steady volume of air. The Universal Chest, which was adopted with variations by other major builders of the period, also allowed access to the organ's mechanisms while the air was on, a major advantage in adjusting and repairing the instrument. The Austin Organ Company was not large in comparison to other Hartford manufacturers - it had about 150 employees in 1906 - but like Colt, Royal Typewriter, Arrow-Hart, and others, it held a substantial if not dominant place in its market, in large part because of its reputation for quality and reliability, its ongoing search for innovation, and the inventiveness of its founder, John T. Austin (1869-1948).



2.4. PHYSICAL SITE DESCRIPTION

Architecturally, the Austin Organ Company Factory represents the typical “mill construction” of the turn of the 20th century: multi-story brick construction, flat or near-flat roofs, stout timber interior framing, and layered floors carried directly on the beams.⁵ These features created the most fire-resistant construction then available, especially when supplemented by automatic sprinkles. The use of roof trusses on the top story

⁴ <https://www.hartfordpreservation.org/historic-districts/>

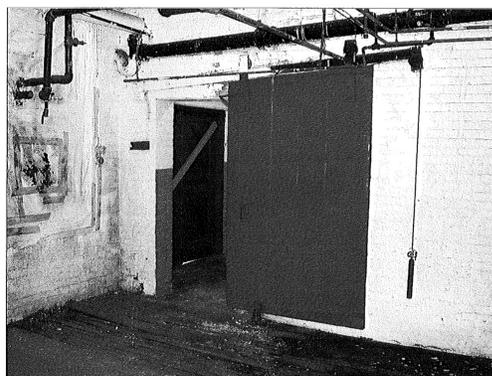
⁵ <https://www.hartfordpreservation.org/historic-districts/%e2%97%beaustin-organ-factory-building/>

was a common way of providing uninterrupted interior space, something not possible on the lower floors because of the necessity of rows of columns. The utilitarian appearance of the factory, with ornament limited to some simple corbelling, was also characteristic of the period.

The interior features brick walls, wood floors, and timber post-and-beam interior structural members (Photograph 1). The posts have iron collars at the top where the beams meet, with the beams also fastened together by iron plates on each side. Throughout the factory, brick interior partitions are closed off by sliding metal-clad fire doors (Photograph 2). The upper floors are completely open, with the roof decking carried on large wooden trusses (Photograph 3). Stairways are plainly detailed with wooden steps, railings, and newels (Photograph 4).



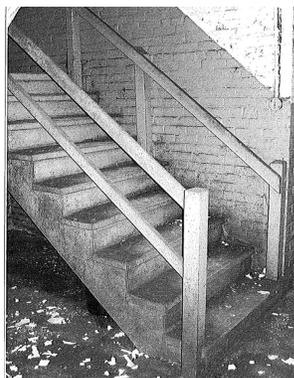
Photograph 1: Typical interior framing of timber columns and beams



Photograph 2: Typical metal-clad interior fire door



Photograph 3: Detail of steel roof trusses



Photograph 4: Detail of main stairway

2.5. BUILDING SIZE AND PROPERTY LAND

According to Hartford, CT's, assessor website, the land area of the Austin Organ Factory is 84,071 sq ft.⁶ There is one four-floor building with 4,207 sq. ft. floors, one two-floor building with 1,448 sq ft floors, and multiple one-floor buildings (all connected), totaling 18,802 sq ft.

2.6. ZONING AND USE

Multiple use zoning including residential has already been approved. The site is listed as one of Connecticut's opportunity zone projects with an assessed building value of \$425,500.⁷ The state's goal has been to attract investors for rehabilitation of the existing buildings into housing and Hartford city government has been actively searching for investors, as well facilitating the zoning process and providing various project incentives, such as a tax deferral program and more.

3. CONSTRUCTION DEVELOPMENT

3.1. CONSIDERATIONS

The four-story building is in great condition, does have a fairly new Smith Boiler, and according to the provided records, has updated electrical throughout.⁸ It is adjacent to the two-story and one-story buildings of the property on the east side and to a one-story storage building from another property on the west side⁹, which limits the first floor's exposure to natural light. Therefore, the first floor of the four-story building is less suitable for housing.

The one-story buildings are structural additions that were built more recently, in the 1950s and 1960s; each of them have different ceiling heights and do not have the utilitarian appearance as the four-story and two-story buildings. Also, their condition is not as good as the four-story and two-story buildings. Therefore, the preservation of all the one-story buildings may not be suitable for the development of the site.

⁶ <http://assessor1.hartford.gov/Summary.asp?AccountNumber=11676>

⁷ <https://ctoormap.com/project/18/behind-chrysalis>

⁸ <https://www.loopnet.com/Listing/16261357/158-Woodland-Street-Hartford-CT/>

⁹ <https://www.hartfordpreservation.org/historic-districts/%e2%97%beaustin-organ-factory-building/>

Currently, the site has a water main and a sewer line connected to the city lines. There is no available information about their size. Our team assumes that they are not the appropriate size for our development.

The appearance of the north side of the property is somewhat odd. The one story buildings look weak near the brick four-story and two-story buildings. Thus, the north facade needs uniformity that preserves the utilitarian historic look.



North side of the property (camera facing South)

3.2. ELEMENTS OF THE REDEVELOPMENT

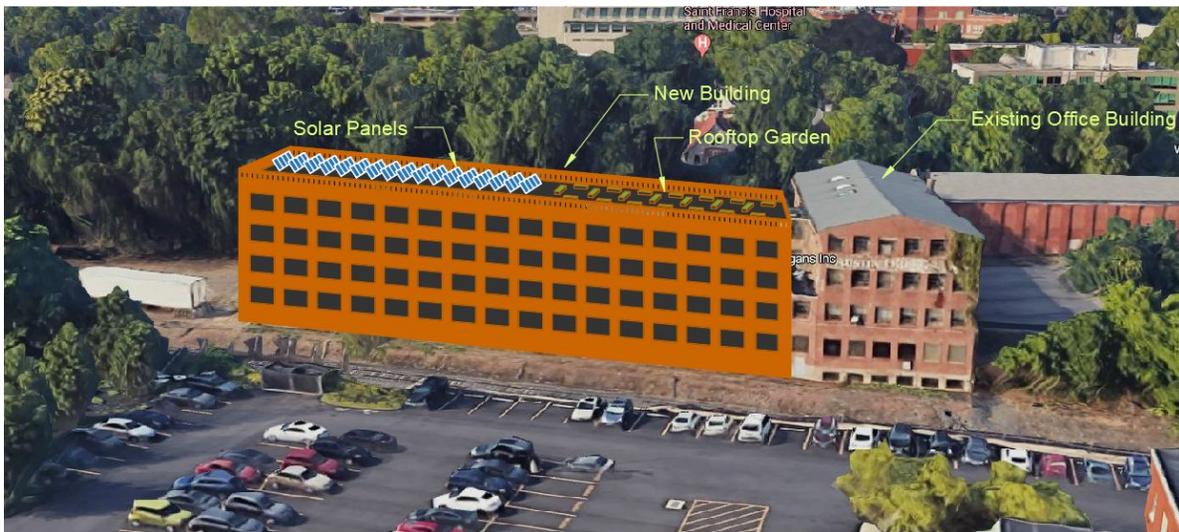
- **Existing four-story building**
 - Upgrading the first floor for use as a commercial space as it is not suitable for housing due to the limited number of windows
 - Transforming the upper three floors into housing
 - Upgrading the basement for use as a laundry room, storage space, and a gym
- **One-story buildings**
 - Demolition of the north side buildings
 - Upgrading the south side buildings into commercial space with a rooftop garden.
- **New addition and rehabilitation of the two-story building**
 - Expansion to the east, and addition of two new floors. The building will have a total of four floors and a basement under the existing two-floor building. The use

of bricks on the north and east facades will preserve the utilitarian historic look of the Austin Organ Company factory.

- Upgrading the basement under the existing two-floor building for use as a laundry room and a storage space
- Rooftop garden and installation of solar panels

- **Parking lot**

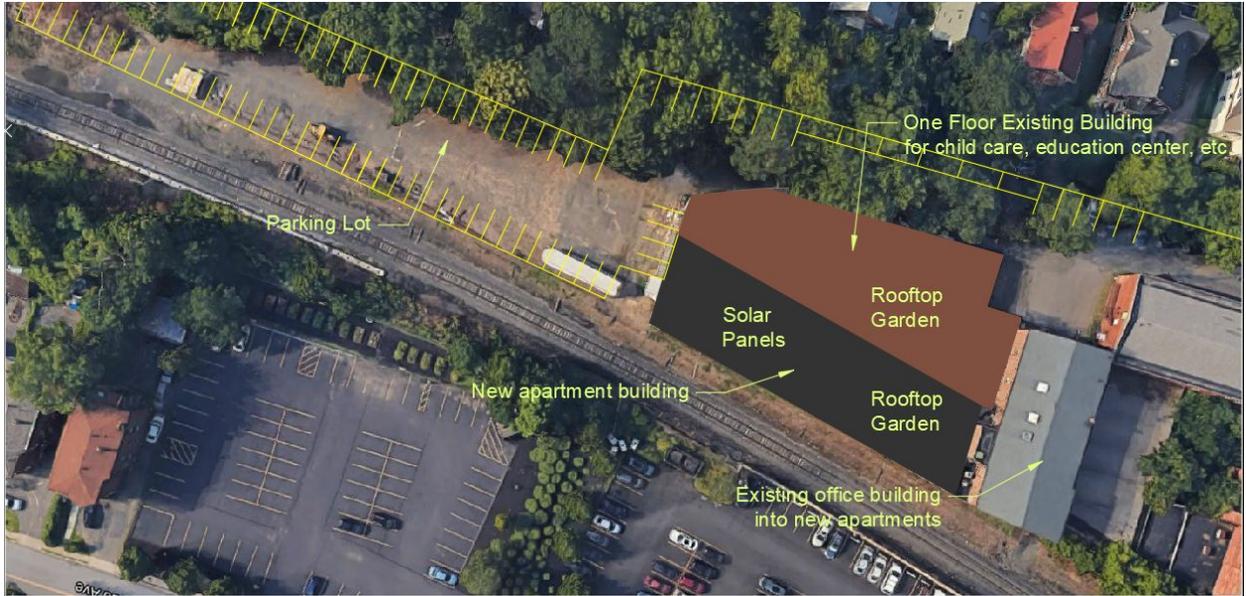
- Currently, the existing lot land allows for development of about 100 parking spaces. There is potential for 30 additional parking spaces if parts of the south one-story buildings are demolished.



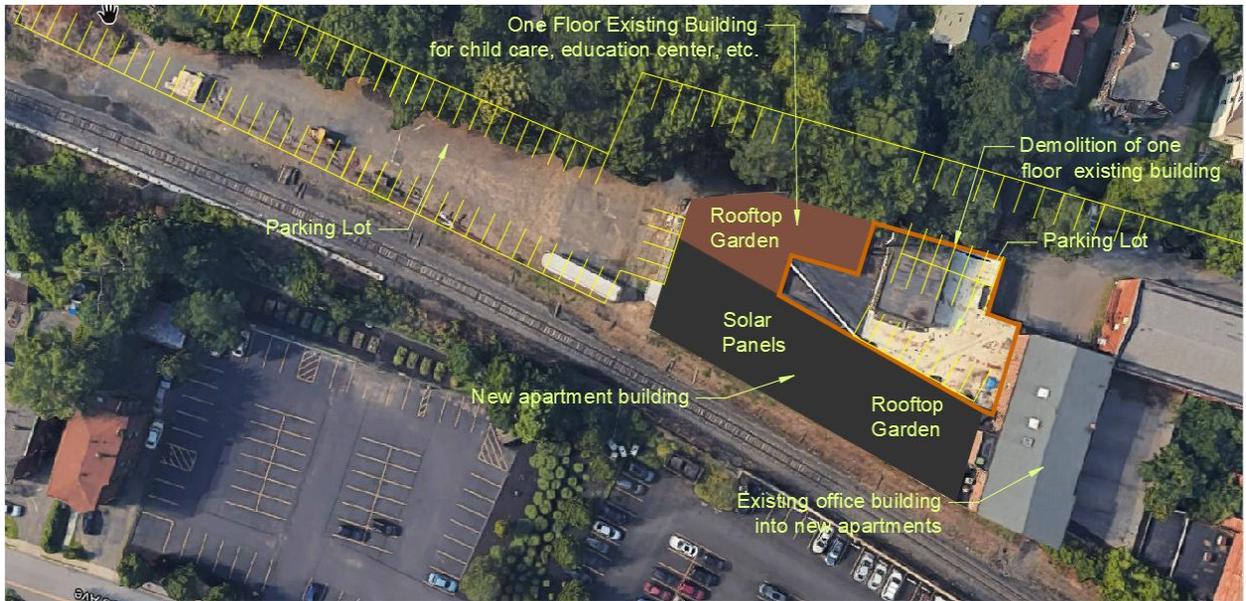
North side of the property (camera facing South)

3.3. DEVELOPMENT SCENARIOS

	OPTION 1	OPTION 2 (selected project)	OPTION 3
New Building: rehabilitation of the two-story building and expansion 4 floors x 7,500 sq ft = 30,000 sq ft			
Commercial space	1st floor, 7,500 sq ft	-	part of 1st floor, 2,200 sq ft
Apartments	39	52	48
Others	Rooftop garden and solar panels	Rooftop garden and solar panels	Rooftop garden and solar panels
Existing four-floor building 4 floors x 4,207 sq ft = 16,828 sq ft			
Commercial space	1st floor: 4,207 sq ft	1st floor: 4,207 sq ft	1st floor: 4,207 sq ft
Apartments	21	21	21
Existing one-floor buildings 12,750 sq ft			
Demolition	-	8,450 sq ft	8,450 sq ft
Commercial space	12,750 sq ft	4,300 sq ft	4,300 sq ft
Others	Rooftop garden	Rooftop garden	Rooftop garden
Parking			
parking spaces	100+	130+	130+
TOTAL			
Commercial space	24,457 sq ft	8,507 sq ft	10,707 sq ft
Apartments	60	73 (58 affordable)	69
Parking spaces	100+	130+	130+



Option 1 (Aerial View)



Option 2 and Option 3 (Aerial View)

5. SWOT ANALYSIS

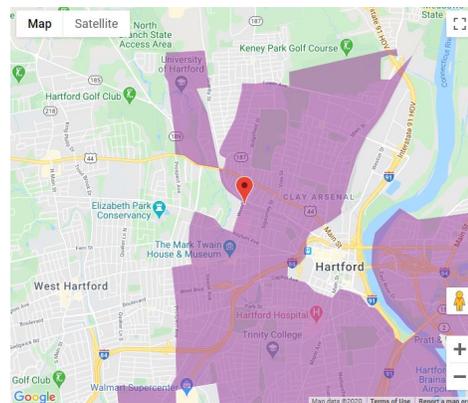
SWOT Analysis for Hartford, CT	
STRENGTH	OPPORTUNITIES
<ul style="list-style-type: none"> • Location and access • Upward trend in market rental rates is expected to continue • Increased volume of workers - professionals, aerospace technicians and engineers • Increase in student population with the addition of the Hartford UCONN undergraduate campus • Demand for studio & 1BR apartments • Hartford Market rates vs suburban • Tax Incentives/credits/grants available for developments 	<ul style="list-style-type: none"> • Good long-term outlook – demand for apartment units • Low vacancy rates of new developments • Proximity and access to interstate highways and transportation hubs • Increase in downtown populations can lead to more businesses, professionals, restaurants/entertainment and student population • Capturing the Hartford working population that lives in the community’s surrounding Hartford • Positive economic impact, population growth and job creation
WEAKNESSES	THREATS
<ul style="list-style-type: none"> • City/State’s fiscal situation • City’s Insurance industry with modest job gains are foreseen • Aging apartment stock in the City • Limited supply of new/modern apartments with parking and sought-after amenities 	<ul style="list-style-type: none"> • Suburban developments incorporating “urban” design • Hartford in comparison to other CT cities • Loss of public sector jobs • Out-of-state migration

6. FINANCIAL FEASIBILITY & ANALYSIS

6.1. FEDERAL AND STATE FUNDING OPPORTUNITIES

➤ Federal Low Income Housing Tax Credit (LIHTC)

The development budget assumes a successful application for the 9% LIHTC funds which will provide nearly 70% of the total equity needed to fund the project.¹⁰ Because the development is located in the Qualified Census Tract Bonus Area, it qualifies for additional 30% of equity, if qualified. The project meets the QCT criteria of offering at least 50% of its units to residents with incomes below 60% AMI¹¹ and, thus, qualifies for the equity basis to be increased by extra 30%. To ensure the probability of the highest scoring in the 9% LIHTC application process, the offered units were designed to pass the State of Connecticut Qualified Allocation Plan.¹² The gross rent amounts were designed to meet the City of Hartford's 2020 Income Limits For LIHTC.¹³ The summary of the households is listed in the Appendix and included in the Proforma.



➤ State Low Income Housing Tax Credit

Connecticut HTCC program helps developers build affordable housing in Connecticut and gives local businesses an opportunity to invest in the projects. According to the 2019 HTCC Award Report, the State awarded an average of \$500,000 to qualified projects. For this project, our team assumed that the development successfully received the grant of \$500,000 which is reasonable considering the historic awards and total annual budget of only \$10 million.

➤ Federal and State Historic Tax Credit

The Austin Organ Company Factory is located within the Sigourney Square national district in the Asylum Hill Neighborhood of Hartford, Connecticut.¹⁴ The site is also listed as a state historic place. This gives an opportunity for the developer to utilize both Federal and State Historic Tax Credits. The development budget assumes a successful award of both Federal and

¹⁰ <https://www.enterprisecommunity.org/opportunity360/measure>

¹¹ <https://www.huduser.gov/periodicals/cityscpe/vol9num3/ch7.pdf>

¹² [https://www.chfa.org/assets/1/6/2019_-_LIHTC_Qualified_Allocation_Plan_\(QAP\)_Final.pdf](https://www.chfa.org/assets/1/6/2019_-_LIHTC_Qualified_Allocation_Plan_(QAP)_Final.pdf)

¹³ https://www.chfa.org/assets/1/6/2020_CT-MTSP_Income_Rent_Limit_Chart.pdf?9198

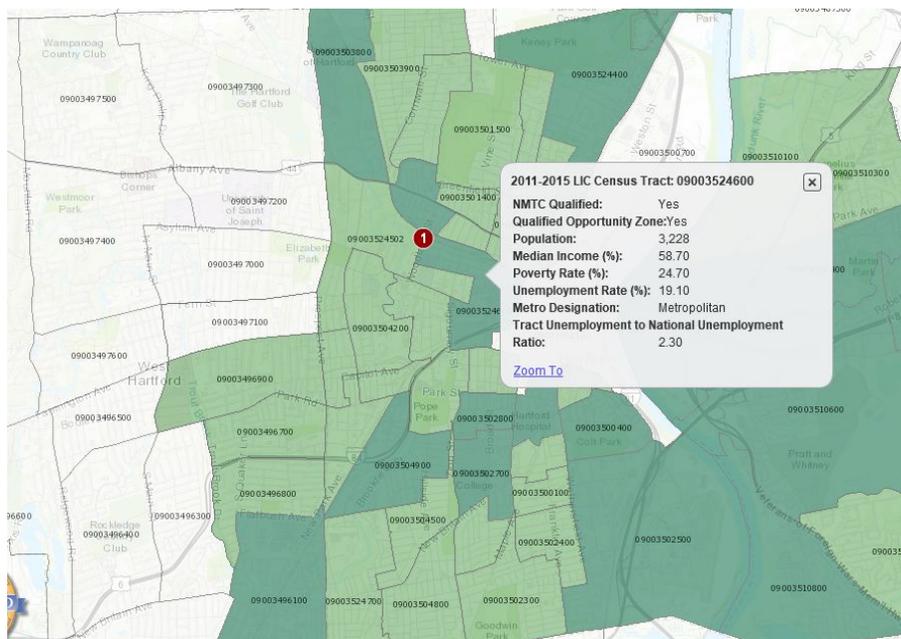
¹⁴ <https://www.hartfordpreservation.org/historic-districts/>

State HTC. The CT Historic Rehabilitation Tax Credit Program establishes a 25% tax credit on the Qualified Rehabilitation Expenditures associated with the rehabilitation of a Certified Historic Structure (hard costs associated with the rehabilitation; site improvements and non-construction costs are excluded.) However, because project is located within a federally designated opportunity zone¹⁵ and includes an affordable housing component, the CT HTC credit increases to 30% making this project more attractive from the point of attracting equity.¹⁶

➤ Opportunity Zone

The Austin Organ Company Factory is listed as an Opportunity Zone project for redevelopment into housing on the Connecticut Opportunity Zone website, although as of the day of this report, an Opportunity Zone fund has not been established yet.¹⁷

Our team initiated an interview with Erin Howard, Director of Economic Development City of Hartford, to find out more information about the property (floor plans, available funds, etc.). However, at the time of this report, we have not received a response from Mr. Howard.



¹⁵<http://ctmaps.maps.arcgis.com/apps/View/index.html?appid=5e0c6a70e75744b0b0bcd3b4d5280571&extent=-74.0893,41.0406,-71.4526,42.0163>

¹⁶https://portal.ct.gov/DECD/Content/Historic-Preservation/02_Review_Funding_Opportunities/Tax-Credit/Historic-Rehabilitation-Tax-Credit

¹⁷ <https://ctoormap.com/project/18/behind-chrysalis>

➤ **New Markets Tax Credit (NMTC)**

According to the Census Tract, the site qualifies for NMTC.¹⁸ Our team assumed the successful funding in the amount of \$1,000,000 from National Trust Community Investment Corporation (NTCIC), which is a CDE (see Appendix). The organization supports the country's architectural heritage, community development, and renewable energy initiatives through the provision of Federal and State Historic Preservation, Low-Income Housing, Renewable Energy, and New Markets Tax Credits.¹⁹ The loan assumptions are an interest-only period for 7 years and the 10-year term.

➤ **Community Development Block Grant (CDBG)**

The City of Hartford receives funds from the U.S. Department of Housing and Urban Development (HUD) on an annual basis to provide a variety of services and programs to strengthen the community and its residents.²⁰ Hartford, CT, typically receives over \$3.5 million per year from the U.S. Department of Housing and Urban Development and according to the 2019 Consolidated Annual Performance and Evaluation Report²¹, the City spent about \$760K of the CDBG on housing rehabilitation. For this project, our team assumed that the development successfully received the grant of \$250,000 which is reasonable considering the historic awards.

The team also assumed the successful receipt of the following State of Connecticut-funded and locally sponsored programs:

- **CT FLEX Program**
- **CT HOME Program**
- **CT Housing Trust Fund Program**
- **LISC Hartford Capacity Grant**

¹⁸ <https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx>

¹⁹ <https://ntcic.com>

²⁰ <http://www.hartford.gov/grants/cdbg>

²¹ http://www.hartford.gov/images/Grants/HUD_Reports/2018-19/CAPER_4_-_Final_-_Submitted_to_HUD.pdf

Promise Zone Benefit

The Austin Organ Company Factory is located within the North Hartford Promise Zone, one of the only twenty Promise Zones nationwide.²² Developments in the Promise Zones receive preference and priority points in competitive federal grant programs.

Our team initiated an interview with Erin Howard, Director of Economic Development City of Hartford, to find out more information about the property and available funding. However, at the time of this report, we have not received a response from Mr. Howard.

6.2. SCENARIO COMPARISON

Option 2

After analyzing the three development scenarios, we have concluded that option 2 provides the highest utility in addressing the needs of the community. Specifically, option 2 is feasible and offers the highest number of affordable units in comparison to options 1 and 3. Option 2 qualifies for the maximum possible amount of LIHTC, as 79.5% of the project are affordable units for qualified candidates at 25% AMI (Area Median Income), 50% AMI and 60% AMI. The equity raised from LIHTC is at \$13,661,952, which is the largest amount among the three options.

Most importantly, the project's largest sources - state and federal equity - results in balancing of the development budget with zero gap in funding, as shown in table A. The net operating income annual growth is robust and offers \$671,457 in the exit year 5, as shown in the bar graph, making the project attractive to investors and loan underwriters

Options 1 and 3

We have conducted a feasibility analysis of options 1 and 3, and both have resulted in funding gaps of \$755,455 and 1,344,817 respectively, as illustrated in Table A. Initially, options 1 and 3 may look like attractive investments as they offer higher IRR (internal rate of return) than option 1. However, obtaining the necessary funds has proved to be challenging as there are not as many affordable units in options 1 and 3, as in option 2. Options 1 and 3 have 78% and 71% affordable units respectively, while option 2 stands at 79.5%. In Option 1, there is \$12,887,452 equity

²² <http://www.hartford.gov/mayors-office/115-office-of-the-mayor/1674-north-hartford-promise-zone>

obtained from LIHTC. In option 3, the equity raised from LIHTC is at \$12,298,090, which is lower than option 2's equity from LIHTC, which is at \$13,661,952.

After applying the equity from LIHTC, Historic RTC (historic tax credits) and various grants, options 1 and 3 still lack the necessary funds to close the funding gaps. Closing the funding gaps by securing permanent loans will lower the NOI and IRR of options 1 and 3, making these development scenarios unattractive.

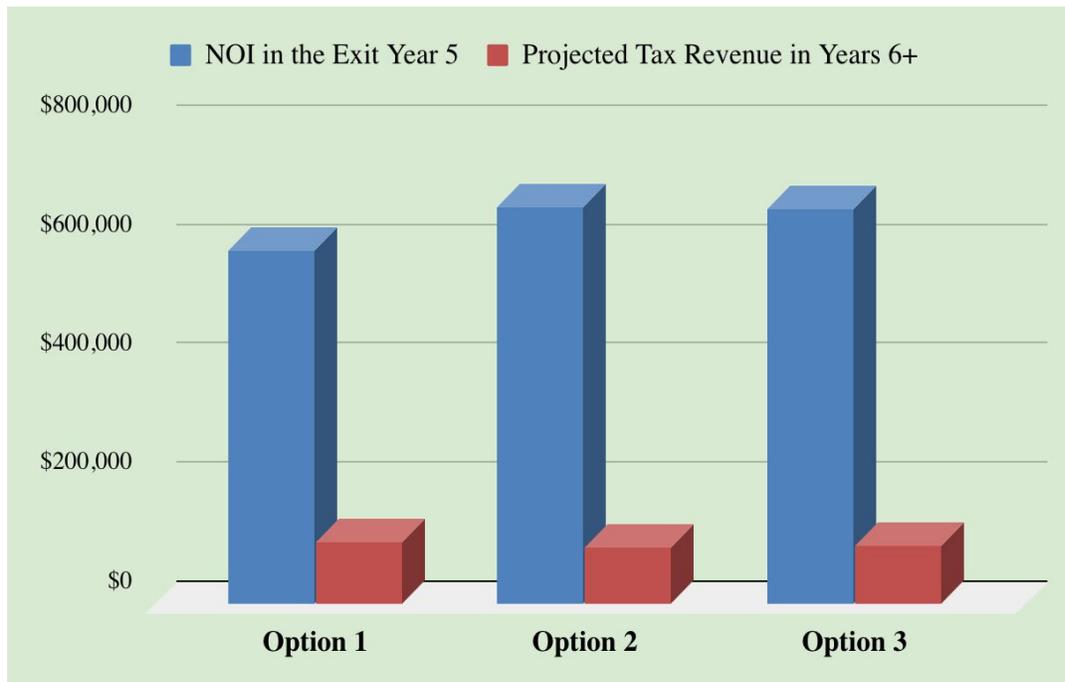


Table A	Option 1	Option 2	Option 3
NOI in the Exit Year 5	\$664,687	\$671,457	\$665,812
Exit Cap Rate	5%	5%	5%
Expected IRR	8.00%	8.00%	8.00%
Project IRR	11.16%	10.35%	11.91%
Current Tax Revenue	\$0.00	\$0.00	\$0.00
Projected Tax Revenue in Years 6+	\$94,359	\$94,050	\$97,082
Funding SURPLUS or GAP	-\$755,455	\$0.00	-\$1,344,817

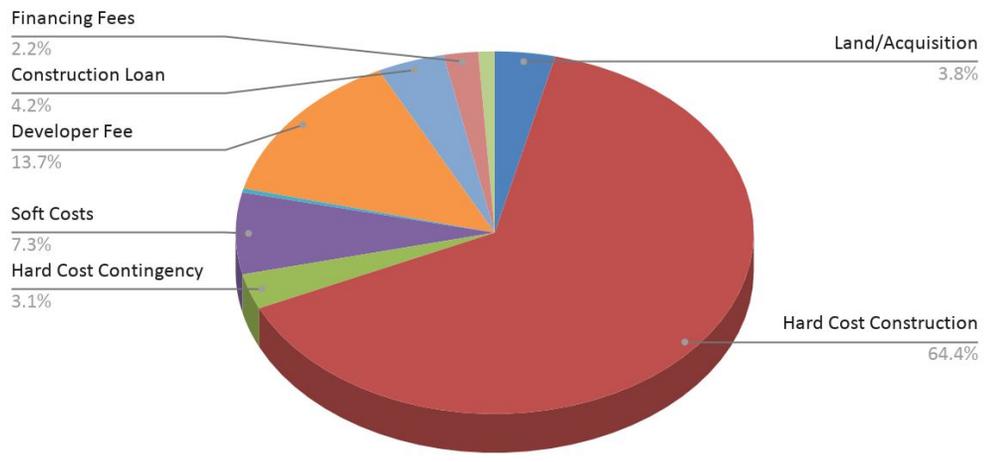
6.3. FINANCIAL SUMMARY AND ASSUMPTIONS

- a) Building Acquisition - In addition to the assessed value of the building of \$425,500, the developer will have to pay \$188,000 in back taxes which are added to the total cost
- b) Land Acquisition - In addition to the existing plot, developer will acquire a neighboring plot at a reduced price of \$100,000 to develop additional parking a small green area
- c) Property Taxes - Current incentives include a city assessment deferral program to freeze property taxes for 5 years for rehabilitating a historic building. The project will qualify for the CT Department of Housing Tax Abatement Program which provides reimbursement for taxes abated up to \$450 per unit per year for up to 40 years.²³
- d) Sale Conditions - Seller will include environmental report and survey of the existing plot
- e) The project meets the QCT criteria of offering at least 50% of its units to residents with incomes below 60% AMI and, thus, qualifies for the equity basis to be increased by extra 30%.
- f) To ensure the probability of the highest scoring in the 9% LIHTC application process, the offered units were designed to pass the State of Connecticut Qualified Allocation Plan. The gross rent amounts were designed to meet the City of Hartford's 2020 Income Limits For LIHTC. The summary of the households is listed in the Appendix and included in the Proforma.
- g) The building will be sold in Year 5
- h) The average cap rate for Hartford County is 7.91%. Due to the nature of the project, 5% is reasonable. The exit cap rate of the project is assumed to be 5%.

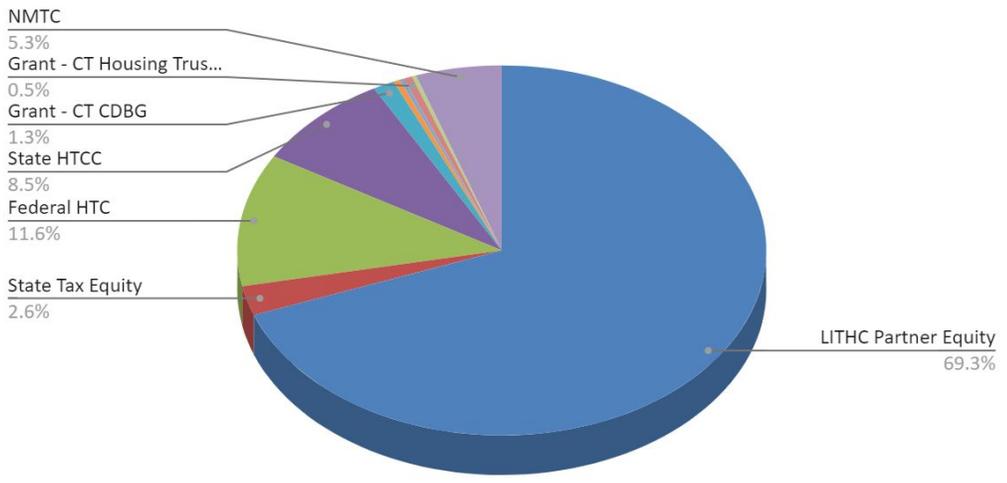
²³ <https://portal.ct.gov/DOH/DOH/Programs/Tax-Abatement-Program>

Austin Organ Project Financial Summary

Project Costs



Sourcing Of Funds



*Project Financing:	Amount	Percentage
LIHTC Partner Equity	\$13,169,997	69.32%
State Tax Equity	\$489,951	2.58%
Federal HTC	\$2,201,888	11.59%
State HTCC	\$1,613,164	8.49%
Grant - CT CDBG	\$250,000	1.32%
Grant - CT HOME	\$75,000	0.39%
Grant- CT FLEX program	\$50,000	0.26%
Grant - CT Housing Trust Fund	\$100,000	0.53%
Grant- LISC Capacity Grant	\$50,000	0.26%
NMTC	\$1,000,000	5.26%
Total Project Financing:	\$19,000,000	100.00%

*See Proforma for further analysis

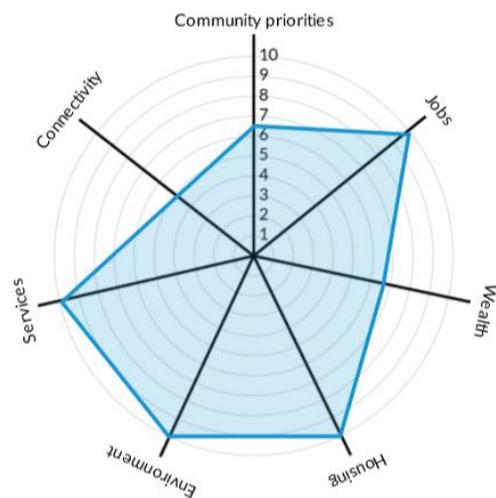
*Project Costs:	Amount	Percentage
Land/Acquisition	\$713,500	3.76%
Hard Cost Construction	\$12,235,000	64.39%
Hard Cost Contingency	\$597,746	3.15%
Soft Costs	\$1,381,400	7.27%
Soft Cost Contingency	\$68,698	0.36%
Developer Fee	\$2,600,000	13.68%
Construction Loan Interest	\$800,000	4.21%
Financing Fees	\$410,000	2.16%
Operating Reserve	\$193,656	1.02%
Total Project Costs:	\$19,000,000	100.00%

*See Proforma for further analysis

NOI in the Exit Year 5	\$671,457
Exit Cap Rate	5%
Expected IRR	8.00%
Project IRR	10.35%
Current Tax Revenue	\$0.00
Projected Tax Revenue in Years 6+	\$94,050

7. IMPACT ANALYSIS

Our impact analysis for the Behind Chrysalis project relied heavily on the Urban Institute’s Community Impact Assessment Tool. The tool was created by the Urban Institute to assess potential social impacts of local development projects using evidence-based indicators. In our scenario of Behind Chrysalis, we hope to illustrate to potential project sponsors and partners that the projected outputs from our project align with the current community needs and priorities. Additionally, our project outcomes will be sensitive to the risks of harming communities such as unintended risks of perpetuating existing social and economic disparities in the Hartford area.



Using the Urban Institute’s framework, our proposed project has a score, 88 out of 100, in the anticipated community impact. The collective score reflects the priority of the project to create affordable housing, social benefits that extend past housing and environmental impacts as well. The project’s highest scores were in the sections of job creation, housing affordability, environment impact, and service opportunity.

Specifically in the Asylum Hill Neighborhood, our project has the opportunity to create wages that exceed the neighborhood and city wide median income, \$31,348 and \$34,600 respectively. During the construction phase, the project is expected to generate 225 full-time-equivalent construction jobs with an average annual salary of \$35,000 for general laborers. This will be achieved by working with the Hartford branch of national YouthBuild non-profit²⁴. To date, YouthBuild students have built over 35,000 units of affordable housing in the United States and many earn AmeriCorps Education Awards for their service provided to the community. Not only previously unemployed youth in Hartford will gain valuable work experience and skills in construction and green building credentials, but also a sense of pride by

²⁴ <https://www.youthbuild.org/>

improving their own community. Additionally, the renewed Austin Organ Company factory will host several tenants that will provide a range of job opportunities. The project will create or retain 5 permanent jobs related to property management and maintenance. Currently the average salary for a property manager in Hartford is \$48,620. The commercial space in the first floor of the building will employ additional staff however depending on the size or company type these numbers will vary. Lastly, while the quality and skills required for these positions will vary according to the building and maintenance needs, there is evidence the similar projects in the area resulted in quality jobs.

The housing category of our Community Impact Assessment highlights our main project priority to create affordable housing in the Hartford Area. The known benefits of affordable housing extended past the physical structure that our project creates. Researchers have concluded that access to quality, affordable housing helps create a stable environment for children by reducing frequent family moves. Additionally, the financial relief of affordable housing directly results in a reduction of the likelihood that at-risk families become homeless in the future. For every dollar that is saved on housing rental expenses, affordable housing assists families that may have had to face difficult trade-offs with regard to other essential needs, such as food, clothing, transportation and health care. Our preferred project will create a total of 73 individual apartment units in the current project configuration with 58 units considered “affordable” for the Asylum Hill neighborhood. Majority of the 15 market units will be rented at a market rate to long-term tenants however several units will be reserved for short-term rentals to provide temporary stays to visiting patients and staff of the neighboring St. Francis hospital. This will aide the community by providing short term housing for hospital clients and their families while also benefiting the project budget as a whole. In other projects, short-term units generate higher rents which significantly contributes to the operating income and creates additional jobs in cleaning, property managing, and other areas.

While our project aims to be an asset for the community, as with all projects we need to consider the negative externalities that could occur. The project location is between two social service organizations, The Urban League of Hartford and Chrysalis Center. Both of these organizations work as workforce development and anti-poverty agencies in the Asylum Hill

neighborhood. The Urban Institute recommends that all projects confer and meet with community leaders and organizations to reduce project risk and to build equity into projects. We have reached out to several local organizations, including the two listed above, regarding the project and their view of potential social gains and losses that would result from housing construction at the Austin Organ Factory site. Due to the local social service network available to potential residents, we have not included any space in our building dedicated to social services that otherwise may be found in HUD or other government affordable project.

In order to address the need to attract small businesses, our development project will offer over 8,500 sq ft of commercial space which can be used between various businesses with the same goals of educating the local workforce, providing job training, career advice, resume writing skills and more. We envision the majority of the space being used by several different local non-profits, such as YouthBuild, Chrysalis Center, and others. The area will provide access to the computer stations, resume writing workshops, and individual mentoring. Lastly, we envision about a quarter of the commercial space to be rented to the daycare facilities, an essential component of the low-income communities that often is unavailable to the poorest residents. Not only will daycare serve its obvious purpose, it will also create jobs by hiring locally in exchange for the below-market rent.

8. CONCLUSION

The Behind Chrysalis Project aims to answer community needs and priorities, create catalytic and long term changes in the Asylum Hill neighborhood and provide an asset for the community as a whole. As noted above, our preferred project will create a total of 73 individual apartment units in the current project configuration with 58 units considered “affordable” for the Asylum Hill neighborhood. In addition to providing affordable housing, our site will offer up over 8,500 sq ft of commercial space which can be used between various businesses. This commercial space can be used for a variety of businesses or social enterprises that will be open to local partners with goals of workforce development, skills based training and anti-poverty work.

The financing instrument used for the project will come from a variety of sources with 70 % from LIHTC and additional funds state housing and historic tax credits and Opportunity Zone raised equity. Using the combination of public financing and equity markets, our total project cost will be \$19,000,000 including purchasing of the existing building, construction and opening the building for residents. We expect the project to have 10.34% IRR and possessing the project for a minimum of 5 years. The project's qualification for local, state and federal funds results in a funding surplus of \$2004, as shown in table A and offers \$671,457 in the exit year 5, as shown in Section 6, making the project attractive to investors and loan underwriters

Ultimately, our project responds to a community raised need of affordable housing and space for local businesses to create jobs for Asylum Hill residents. Our project looks to expand past a physical structure and into the partnerships that can be created to expand job access and skill training and create upward socioeconomic change in the neighborhood for existing residents.

APPENDIX

QAP and LIHTC Criteria

a) Rental Affordability Criteria per CT QAP

1. Rental Affordability

a. Supportive Housing Units

Points will be awarded based on documentation of supportive services from a Qualified Service Provider specifically for residents identified as homeless or chronically homeless, as defined in the Supportive Housing Guideline. Documentation must include a Services Plan and evidence of funding sources, including a budget, for supportive services. (Reference must be made to the current Supportive Housing Guideline for definitions, service funding criteria and the list of Qualified Service Providers).

Percent of units	Points
≥ 20%	6
≥10% and <20%	2

b. Households at or below 25 Percent of Area Median Income (AMI)

Points will be awarded based on the percentage of qualified units that serve households at or below 25 percent of AMI and provide rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

Percent of units	Points
≥25%	7
≥20% and <25%	4
≥15% and <20%	3
≥10% and <15%	2

c. Households above 25 and at or below 50 Percent of AMI

Points will be awarded based on the percentage of total units that serve households above 25 and at or below 50 percent of AMI and provides rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

Percent of units	Points
≥40%	6
≥30% and <40%	4
Over 20% and <30%	3

d. Mixed Income Housing

Projects that promote economic integration by creating mixed income housing will receive points based on the percent of non-qualified units (market rate housing without income restrictions) included.

Percent of non-qualified units	Points
≥20%	6
≥10% and <20%	2

Hartford Income Limits For LIHTC Developments²⁵

HARTFORD – W. HARTFORD – E. HARTFORD HMFA								
For use by ALL developments in this Federal Statistical Area								
INCOME LIMITS	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
20% of Median	14380	16420	18480	20520	22180	23820	25460	27100
25% of Median	17975	20525	23100	25650	27725	29775	31825	33875
30% of Median	21570	24630	27720	30780	33270	35730	38190	40650
40% of Median	28760	32840	36960	41040	44360	47640	50920	54200
50% of Median	35950	41050	46200	51300	55450	59550	63650	67750
60% of Median	43140	49260	55440	61560	66540	71460	76380	81300
70% of Median	50330	57470	64680	71820	77630	83370	89110	94850
80% of Median	57520	65680	73920	82080	88720	95280	101840	108400
RENT LIMITS	Studio	1 bedroom	2 bedroom	3 bedroom	4 bedroom			
20% of Median	359	385	462	533	595			
25% of Median	449	481	577	667	744			
30% of Median	539	577	693	800	893			
40% of Median	719	770	924	1067	1191			
50% of Median	898	962	1155	1334	1488			
60% of Median	1078	1155	1386	1601	1786			
70% of Median	1258	1347	1617	1868	2084			
80% of Median	1438	1540	1848	2135	2382			

²⁵ https://www.chfa.org/assets/1/6/2020_CT-MTSP_Income_Rent_Limit_Chart.pdf?9198

Brief Definition of Available Sources of Funding

➤ LIHTC

The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.²⁶ The federal government issues tax credits to state and territorial governments. State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding. Once the housing project is placed in service (essentially, made available to tenants), investors can claim the LIHTC over a 10-year period. The credit claimed by a taxpayer equals a credit percentage multiplied by the project's qualified basis. The percentage is larger for new construction or substantial rehabilitation (roughly 9 percent but specified in the law as a 70 percent present value credit) than for properties acquired for rehabilitation or for projects funded using tax-exempt bonds (roughly 4 percent but specified as a 30 percent present value credit).

➤ Federal and State Historic Credits (HTC)

The historic rehabilitation tax credit (HTC) program provides 20% credit taken ratably over five years, beginning in the tax year in which the building is placed in service.²⁷ The historic tax credit provides for a dollar-for-dollar reduction of federal income tax liability, unlike a tax deduction, which lowers how much of your income is taxable. The dollar value is calculated as a percentage of the qualified rehabilitation expenditures (QREs) incurred during the course of the tax credit project's work.

➤ New Market Tax Credits

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years: 5% in each of the first three years, followed by 6% in each of the remaining four years.

➤ CDBG

CDBG funds may be used for activities which include, but are not limited to acquisition of property, demolition, rehabilitation of residential and non-residential structures, activities relating to energy conservation and renewable energy resources, and provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

²⁶

<https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>

²⁷ <https://www.fool.com/millionacres/taxes/real-estate-tax-deductions/what-historic-tax-credit/>

Local Organizations

➤ **National Trust Community Investment Corporation (NTCIC)**

NTCIC is a community development entity (CDE). The organization supports the country's architectural heritage, community development, and renewable energy initiatives through the provision of Federal and State Historic Preservation, Low-Income Housing, Renewable Energy, and New Markets Tax Credits. In 2004, NTCIC provided a total of \$14.3 million (\$10 million New Markets Tax Credit and \$4 million Federal Historic Tax Credit) financing to Community Solutions International for the substantial rehabilitation of Swift Factory in Hartford, a total development cost of \$30.2 million.²⁸

Our team initiated an interview with Andrae Baly, Senior Asset Manager who monitored the Swift Factory development, to find out more information about available investments such as NMTC, Solar ITC, and HTC. However, at the time of this report, we have not received a response from Mr. Baly.

➤ **The Capital Region Development Authority (CRDA)**

CRDA is a quasi-public agency that directs state-supported development projects in Hartford and serves as a regional planning authority. One of its current goals is 3,000 new housing units in the downtown Hartford development district. The agency seeks an investment average of \$60,000 per unit.²⁹

Our team initiated an interview with Robert Saint, Director of Construction Services, to find out more information about CRDA goals and investment conditions. However, at the time of this report, we have not received a response from Mr. Saint.

➤ **Community Solutions International (CSI)**

CSI is a nonprofit organization that leads Built for Zero, a movement of more than 80 cities and counties driving down the number of people experiencing homelessness — and

²⁸ <https://ntcic.com>

²⁹ <https://crdact.net>

proving zero is possible. CSI is the developer for the Swift Factory, a rehabilitation of an old historic building using NMTC, HTC, and federal and state grants.

Our team initiated an interview with Amber Elliott, Community Based Improvement Advisor, Catalytic Projects, to learn about CSI experience in financing and developing the rehabilitation of the former Swift Factory. However, at the time of this report, we have not received a response from Mrs. Elliot.