



CONNECTICUT  
**HOUSING  
PARTNERS**

**CONNECTICUT HOUSING PARTNERS**

**5-YEAR BUSINESS PLAN  
FOR GROWTH**

*We Build and Transform Lives*

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**On Behalf of:  
Connecticut Housing Partners**

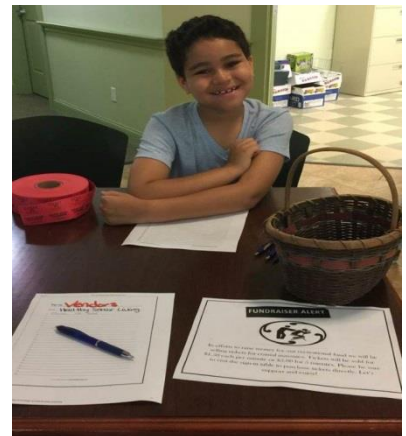
**February 2017**



*CHP Creates Viable Communities*



*Housing of Choice for All*



*Working Together to Improve Lives*

## CONNECTICUT HOUSING PARTNERS

### EXECUTIVE SUMMARY

Connecticut Housing Partners (CHP) is a nationally recognized 501 (c) (3) housing development and property management corporation servicing Southwestern Connecticut. Since 1991, CHP is one of Southern Connecticut's most active producers and managers of affordable housing with 502 units in 14 developments.

CHP shall offer a continuum of well managed and maintained housing opportunities for all sectors of Southern Connecticut including families, seniors and individuals with special needs.

#### **CHP Philosophy: We Build and Transform Lives**

CHP's 25-year mission is to: create and sustain innovative housing, revitalize neighborhoods and enhance the quality of life for low and moderate income residents of Southern Connecticut.

The values we hold important are: Integrity, Innovation, Responsibility, Leadership, Respect and Proactive Response.

#### **CHP operates five in-house lines of business:**

CHP will maintain five lines of business while exploring opportunities to strengthen the organization. Expansion may include mixed used developments and incorporation of smaller affordable housing enterprises.

##### 1. Real Estate Development

The financial success of CHP's central administration is highly dependent upon receiving financing and approved redevelopment plans for at least one property each year. CHP will focus on Housing Development over the next five years. The primary goal is to create new housing opportunities and revitalize our portfolio. Each property asset shall be analyzed to determine financial health.

CHP shall develop 316 units of affordable housing in rural and urban sections of Southern Connecticut while maximizing opportunities for partnerships and joint ventures and mixed use developments. We shall earn a minimum of \$2 million in development fees augmented by significant foundation and grant funding to create a self-sufficient central staff, a clean audit report, and an investment account.

#### Typical Development Financing Sources

Type	Specific Source	Requirements
Predevelopment	Loan from DOH	\$ 5% to 10% of TDC
Working Capital	DOH, CHFA, Investors, Banks	\$ 1,000,000
Land or Building Acquisition	99 Year Lease from Municipality	\$1.00
Construction	DOH, CHFA, Bank, Investors	\$50% to 100% of TDC
Mortgage Rental	DOH, CHFA, Bank, Investors	\$50% to 100% of TDC
Write Down/Subsidy	LIHTC	\$25% to 50% of TDC
Mortgage Homebuyer	Private Investors	\$25% to 75% of TDC
Other	HOME, HTCC	\$25% or less of TDC

## 2. Property Management

CHP provides property management services with total annual revenue in excess of \$6,335,000 representing 502 units of safe, secure, affordable housing for over 750 residents of Southern Connecticut. We shall build and maintain staff quality by: establishing performance standards, providing incentives, training, and an appropriate professional development budget.

### **Property Under Management 2016 - 2020**

<b>Units Under Management</b>						
<b>Property Management</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Family	320		130	30	150	630
Elderly	124					124
Supportive	58	6				64
<b>Total</b>	<b>502</b>	<b>6</b>	<b>130</b>	<b>30</b>	<b>150</b>	<b>818</b>

This plan identifies a Management Division that is less reliant on contractors, based on technology enhancements, and reduces individual property operating expenses 10% annually. We shall update the Property Management and Emergency Response procedure manuals and document work flows.

## 3. Property Maintenance

CHP shall expand our in-house property maintenance division offering: cost-effective, technology-driven, responsive and predictive maintenance as a self-supporting division.

Highly qualified and talented maintenance personnel shall reduce property maintenance costs by 6% each year to establish a breakeven division. We shall develop special relationships for HVAC, plumbing and electrical services. Using modern software and tools, we shall reduce unit turnaround time to 3 to 5 days. By 2018, CHP shall establish a comprehensive capital improvements program that incorporates trends, preventive maintenance and major capital needs planning.

## 4. Resident Services

CHP shall develop a robust resident services system via partnerships with experienced providers. Our program shall increase client and stakeholder satisfaction to an overall rating of 4 out of 5 per annual surveys and develop a robust Resident Services program for Elderly Developments. CHP shall train Resident Service Coordinator as a Community Health Worker while also investigating volunteer opportunities for Family Resident Services.

## 5. Portfolio Asset Management

CHP shall implement formal asset management and CNA protocol and identify, evaluate and implement lines of business using available corporation assets to generate significant additional income. CHP shall achieve its financial objectives by refinancing debt and disposing of non-performing assets to maintain high quality property.

## **15 Years as an Industry Leader**

- Developed 14 affordable housing properties providing over 500 homes and over 750 residents.
- Contributed \$100 million in community economic development.
- Implemented \$300,000 of value engineering in 2016.
- Operated a full service property management firm with \$6.3 million in gross revenue.
- Provided \$2.5 million in professional maintenance services.
- Delivered \$100,000 of community service support for 125 Elderly units.

## **A Community Life Saver**

To assure that homes are not abandoned and communities continue to offer affordable housing, CHP has absorbed two organizations: Norwalk Neighborhood Housing Services (a NeighborWorks America affiliate) and Action Housing. Each strategic merger maintained affordable housing assets for the community and strengthened CHP's internal operations.

## **5 Year Real Estate Development: 316 Additional Homes**

Over the next five years, the Real Estate Development division will develop 316 exceptional homes in Southern Connecticut. We shall identify 100% residential opportunities with a minimum of 30 units. In mixed residential and commercial properties, the unit mix shall be flexible.

<b>Yearly Production Schedule</b>						
<b>Properties</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Wilton Commons	23					
Fairfield Commons		6				
Whittier Place			30			
TBD			100	30	150	
<b>Total</b>	<b>23</b>	<b>6</b>	<b>130</b>	<b>30</b>	<b>150</b>	<b>339</b>

## **Development Financing Projections**

<b>Property Development Volume</b>						
<b>Properties</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Wilton Commons	8 Million					
Fairfield Commons		1 Million				
Whittier Place @ \$285/ea.			8.5 Million			
TBD @ \$296/ea.			28.5 Million	8.9 Million	44.4 Million	
<b>Total</b>	<b>8 Million</b>	<b>1 Million</b>	<b>37 Million</b>	<b>8.9 Million</b>	<b>44.4 Million</b>	<b>99.3 Million</b>



## **Organization, Management, Personnel**

### **Governance**

CHP's properties are owned by subsidiaries or affiliates of CHP through: Limited Liability Corporations, Limited Partnerships, and standalone corporations. CHP Corporate is the holding company. The 15-member CHP Board provides oversight and control over CHP operations and residential communities. The Board is organized through an Executive Committee, Asset Management Committee and Development/Finance Committee. CHP corporate provides finance, accounting, legal and fundraising services to support CHP's business lines.

CHP shall foster corporate growth by: updating and revitalizing our Bylaws; consolidating committees; reducing board membership, and developing a 3-Year Strategic Plan.

### **Staff Growth**

To increase production staff under property management, CHP staffing will add 15 staff for a total of 27 FTE's. The plan calls for the addition of a project manager in 2017, an asset manager in 2019, and property and maintenance staff to match the portfolio growth.

<b>STAFFING GROWTH PLAN</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Description</b>					
Property Management	5	5	7	7	10
Property Maintenance	6	6	10	10	13
Housing Development	0	1	1	1	1
Resident Services	1	1.5	2	2	3
<b>TOTAL</b>	<b>12</b>	<b>13.5</b>	<b>20</b>	<b>20</b>	<b>27</b>

## **Financial Status**

### Operating Costs

CHP has experienced significant financial distress for the last two fiscal years. Major cost reductions along with reorganization of service delivery are addressing this negative situation. The 2016 overall budget of \$1,059,000 resulted in a loss of approximately \$300,000. In 2017 due to a major increase in the received developer fees, the revenues exceeded expenses by \$366,000. This very healthy budget includes not only an increase in essential staffing but \$150,000 of venture capital for future developments. It is very clear that CHP survives off its development fees and must be involved in the active development of affordable housing until its operating income is sufficient to cover its court costs.

One organizational change is to empower all employees to be creative and recommend ways for CHP to: streamline processes, professionalize departments, and implement cost saving strategies.

### Central Operating: A Value Engineering Study

Since August 2015, the organization has implemented the following annual savings:

- Relocate central office from rented space to a location in one of the owned developments - \$51,600.
- Eliminate office cleaning contract - \$5,400.
- Installed software to generate own checks and reduce reliance on pre-printed check stock - \$9,000 (also reduces risk of having blank checks in house).
- Restructured of Finance Department staffing - \$60,000.
- Renegotiated payroll and medical benefit contracts - \$14,800.

We are experiencing severe cash flow shortages due to earned developer fees that have not been received. CHP can use this as an opportunity to apply for working capital line of credit to even the cash flow and allow smooth operations.

### Our Preservation Pipeline for Refinancing Projects

Over the next five years Mutual Housing shall refinance and redevelop four of their properties with a total of 164 units. The \$7.9 million redevelopment of Maplewood Courts is typical and a full development proforma is attached in the addenda.

The example project involves rehabilitation of a 30-unit occupied structure at approximately \$7.9 million. The tax credit investment is approximately 3.9 million which equates to redevelopment investment of approximately \$250,000 per unit. This activity generates a developer allowance of \$775,000, 19% of which must be rededicated back to the property. Maplewood Courts' operating budget benefits from the addition of more than \$70,000 prefunded in replacement reserves and \$380,000 in operating reserves.

Often times preservation refinancing requires cobbling together many financing sources to provide the required construction hard cost. Typical sources include: energy improvements grants, 4% tax credits in conjunction with bond financing sometimes supported by Freddie Mac bond credit enhancement. Additional soft funds are often provided by the local jurisdiction HOME Funds or CDC and the built-up capital reserve funds held by the property.

## New Construction Financing

A typical new Tax Credit development project is complex and requires multiple layers of funding and agencies to participate in successful deals. CHP, as the General Partner, actively manages the development when completed. A typical layering structure will include multiple partners and their investment into the new construction or rehabilitation. Typically, 50% of the development financing comes from investors buying tax credits. Tax credits can be Federal, State and Historic. The balance of the funds could be a deferred grant from the Department of Housing and a loan from the Connecticut Housing Finance Authority.

The sources have pre-established guidelines on how the funds will be used. Often 70% of the capital raised will go towards construction and the 30% balance would be earmarked to cover soft costs like developer fees, architectural, engineering, etc.

## Rejuvenation of Marketing and Fundraising

CHP has not engaged in meaningful marketing strategies for the past few years. CHP shall revive our corporate personality by launching a new website and Facebook presence. In addition, CHP has been attending Job Fairs to begin building a presence as well as visiting with stakeholders such as banking, state and local government and federal agencies. We shall establish an annual fundraising event including board, staff, residents and funders.

CHP shall become nationally recognized as a high performing agency by submitting applications and identifying outstanding achievements in Asset Management, Property Management, and Resident Services.

CHP shall invigorate a marketing program that consistently promotes the effectiveness and social benefits of CHP produced housing, management and maintenance services. We shall improve marketing efficiency using technology in: website, Facebook, and Newsletter outreach and in creating a database of emails and contacts for VIP's and donors.

CHP shall disseminate business plan to potential funders, partners and potential board members

## Paths to Success

### Develop Mixed Use Properties

CHP is faced with many pressures including: the lack of working capital, state budget reductions, a competitive funding environment, and a business model that relies on the development of affordable housing. CHP intends to diversify its portfolio by developing mixed use assets. This will increase cash flow to ensure the continued health of the organization and provide funds to continue the growth and development of new funds.

Mixed use is defined as market rate units comingled with the affordable units and also to incorporate commercial rental space to diversify the portfolio. Commercial properties providing resources close to where residents live.



## Establish a Venture Capital Pool

We are going to apply for \$300,000 to address cash flow needs and to provide venture capital for future development. We will approach LISC in March as well as the Housing Development Fund.

## Revised Service Fee Structure

Current fees do not cover maintenance activities. CHP is revising the fee structure to make sure all costs related to maintenance is charged to the properties and to track any accounts receivables the property owes the organization if the cash allowed doesn't support the accurate fee structure.

## Engage Cost Effective Development Consultant

An important skill set required is an all-around development consultant who can analyze complex venture capital opportunities. This is required to be sure the venture capital deal is thoroughly analyzed and internal decisions can be made appropriately. CHP must maintain a significant pipeline to pay core operating costs and repay past venture capital obligations. We have partnered with Housing Enterprises, Inc.

## Continue Central Cost Engineering

Important resident support services are generally not reimbursed by the property and the organization is actively seeking our grant support to enhance resident programming.

### **MHASWCT COMMUNITIES**

**BRIDGEPORT**



**STAMFORD**



**FAIRFIELD**



**TRUMBULL**



**NORWALK**



**WILTON**



**MHASWCT's Mission is To Build and Transform Lives.**  
Contact our offices at 203.359.6940 to find out more about our properties.