**CREDIT/RISK ANALYSIS AND RECOMMENDATION**

**Sponsor / Guarantor:** Vietnamese American Initiative for Development, Inc.

**Borrower:** Fields Corner Housing Corporation

**Borrower Address:** 42 Charles Street, Dorchester, MA 02122

**Project Name:** 1460 Dorchester Ave

**Project Address(es):** 1460 – 1474 Dorchester Ave

**FINAL**

**APPROVAL**

**(2/27/06)**

**Town, State, ZIP Code:** Dorchester, MA

**Loan Type:** Line of Credit

**Purpose of Loan:** Acquisition and Pre Development

**Interest Rate:** 7%

**Debt Service Coverage Ratio:** N/A

**Loan-to-Value / Loan-to-Sales Proceeds:** TBD

**Census Code:** Census Tract 921, Block Group 5

**Underwriting Start Date:** 5/3/05

**Proposed Loan Amount:** $2,192,500[[1]](#footnote-2)

**Risk Rating:** 3, reserved at 2.5%, as of 5/20/05

**Total Loan Exposure (net of participations):** $ 282,098.13 (Toledo, 1392 Dorchester, 1460 Dorchester predev)

**Prepared by:** Kathryn McHugh

**Loan Officer:** Kathryn McHugh

# EXECUTIVE SUMMARY

Viet Aid is requesting an acquisition loan to develop a parcel in Fields Corners which is close to their 4 existing projects, their office and the MBTA stop. They are proposing developing a mixed-use project consisting of 43 low-income rental units (42 one-bedrooms and efficiencies and one live-in managers unit). The ground floor will be sold to a commercial tenant. At this time Viet Aid is negotiating a sale of the commercial space to a group of five Vietnamese business owners who will subdivide the space. Viet Aid has met with DND on the proposed structure and received early support and conditional commitments of $1,155,000. The site consists of two parcels. The existing structures will be demolished to develop a 4 story brick structure with parking on site.

BCLF has a $142,500 predevelopment loan to the project, the loan is fully drawn and will become part of this loan request.

The LTV is 119%. The high LTV allows the Borrower to capitalize interest into the loan allowing for less cash pressure on the borrower during the predevelopment period and an administrative ease for BCLF. The higher LTV is mitigated by early commitments from DND in the amount of $1,155,000 and strong supportive feedback from DHCD. The DHCD commitment is pending completion of BRA zoning review. The borrower is currently going through the Article 80 review process but needs to receive zoning approval by April to be deemed ready to proceed by DHCD. If not deemed ready, DHCD will issue commitments to the project during the next funding round (September 06). DND is working closely with the Borrower on accelerating their zoning review. Worst case scenario, DHCD funding commitments are delayed until the fall and the project gets a later start. BCLF staff are comfortable with the higher LTV based upon an analysis of the projects success and our take out. Wainwright has been approached as a construction lender and is interested. In addition, MHIC has issued a conditional commitment to purchase the low-income housing tax credits.

# SUMMARY OF RISKS AND MITIGANTS

|  |  |
| --- | --- |
| RISKS | MITIGANT |
| Viet-AID has a short development track record and their Director of Real Estate is leaving for a new job (Rogerson Communities). | * + Strong development team which will be enhanced upon the hiring of the new Director of Real Estate Development.   + This project, and the development team, is very similar to 1392 Dorchester, which was completed on time and within budget.   + Recently awarded a three year capacity grant from MHP ($60,000 over three years).   + Jim Hexter, their development consultant, is experienced and has worked with Viet Aid before.   + The CDC has been strongly supported throughout its tenure by the City as it is a critical player in the Vietnamese community. |
| Project is delayed or does not move forward on schedule | * Interest carry is sufficient to carry the project if not funded in this rental round. |
| High LTV (119%) | * BCLF will take a second mortgage on the Community Center, behind Citizens $430,000 first mortgage. * While the LTV is high it is mitigated by strong City and State support. The City has already issued a commitment for its funds and the state commitment is pending the zoning review by the City. * The project has strong funder, community and political support and is poised to move on to the construction phase once zoning is received. * The project has received $1,155,000 in subsidy commitments from DND. |
| Marketing | * Purchaser identified for commercial condo * Market Study demonstrating demand for the residential and commercial units. * DND will market the low-income rental units. |
| Credit of Commercial Condo buyer and ability to get financing | * The “buyer” identified for the commercial condo(s) is a group of local businessmen with established banking relationships. BCC closing condition showing that proposed buyer is credit worthy and eligible for financing. * The Vietnamese businesses in the area have been very supportive of Viet Aid and expressed interest in seeing more commercial development with potential for ownership. |
| Inherent risk associated with commercial | * Potential commercial buyer(s) known to Viet Aid and are member of the community with a successful business(es). * Viet Aid recently completed a $3.5 million Vietnamese Community Center. This was a large project that was completed on time and within budget. * 1392 Dorchester, a similar project done in collaboration with Caritas was also completed on time and within budget. |

**Sources of Repayment:** 1.)Close of Construction Financing

1. Cash Flow from Operations
2. Liquidation of Collateral

**Appraised Value:** $1,835,000

**Participation Opportunities:** The Life Initiative

**Downside Analysis**

Under a workout scenario, if the borrower is unable to receive a commitment for the required sources of financing necessary for the development, the proposed acquisition loan will expire in year 2 and the sponsor will be asked to refinance or sell the property. If we assume a 30% decrease in value than the current sales price of $1,800,000 the property value could decrease to approximately $1,200,000. Under this scenario, a portion of the first mortgage would be repaid and the outstanding balance would need to be restructured and secured with a second mortgage on the Community Center behind a Citizens first mortgage of $430,000. BCLF would need to secure a second mortgage of approximately $990,000.

# RECOMMENDATION

Loan Officer recommends Loan Department Approval of the request as presented.

**MISSION FIT**

**Use of Funds:**

Primary Use of Funds: Rental - Affordable

Secondary Use of Funds: Commercial

**Metrics**:

\_42\_\_Number affordable units

\_\_X\_Other\_\_\_Commercial Square Footage 6,800\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Social Purpose:**

**Project Characteristics:**

* Creates new affordable housing
* Preserves affordability in a gentrifying neighborhood
* Provides retail amenities in an underserved community
* Builds nonprofit developer capacity

**Site Characteristics**

* Located in a gentrifying neighborhood
* Razes a dangerous structure
* Renovates an existing structure
* Provides block stabilization
* Provides infill of vacant land
* Located on key, visible site
* Accessible to public transportation
* Walking distance to amenities
* Located in an area with limited access to capital

**SUMMARY OF PROPOSED TERMS AND CONDITIONS**

**Lender:** Boston Community Loan Fund

**Borrower:** Fields Corner Housing Corporation

**Guarantor:** Vietnamese American Initiative for Development, Inc.

**Amount:** $2,192,500[[2]](#footnote-3)

**Purpose:** Acquisition loan to assist Borrower with purchase and associated carrying costs associated with 1460-1474 Dorchester Avenue.

**Interest Rate:** 7%

(Approximatelytwo years of interest will be held back from the loan and used to fund BCC interest.)

**Payment Schedule:** Monthly interest payments only until Maturity at which time entire principal amount and any outstanding interest will be due.

**Maturity Date:** The earlier to occur of (i) the close of Borrower’s construction financing related to the Project or (ii) September 30, 2007.

**Repayment:** The Loan shall be repaid at the close of construction financing related to the Project or upon maturity.

**Prepayment Penalty:** None

**Conversion Date/Terms** (if applicable): N/A

**Commitment Fee:** 1% of the loan amount; ½ of which, or $10,962.50, is due upon acceptance of the commitment letter and ½, or $10,962.50, due upon closing.

**Legal Fee:** Estimated at 1% of the loan amount

**Security / Position:**

A first mortgage lien and security interest on the subject property, an assignment of rents and leases, and a security interest in all fixtures and furnishings on the property.

**Appraised Value:** $1,835,000

As-is appraisal by Multi-Family Specialists Inc. completed 8/26/05

(Purchase Price $1,800,000)

**Loan-to-Appraised Value:** 119%

Please note: BCLF is awaiting confirmation from Citizens as to their willingness to allow BCLF to take a second mortgage of $541,000 behind their $430,000 first mortgage at the Community Center. The $541,000 will cover the 90% to 119% piece of the loan.

(90% LTV is $1,651,500)

**Closing Conditions:**

* Acceptance of commitment letter with receipt of commitment and legal fees
* Loan documents executed to Lender’s satisfaction
* Evidence of Property Insurance (Acord Form 28); Evidence of Liability Insurance (Acord Form 25)
* Executed Purchase and Sale between Borrower and the Investment Group purchasing the commercial condo.
* Letter indicating commercial condominium buyer’s ability to receive financing and capability to perform as outlined in the Purchase and Sale.
* Lender’s satisfaction with title commitment indicating clear title to the Premises
* Lender’s review of and satisfaction with then current predevelopment project budget, which shall include specific detail for each Proposed Improvement, projected total project budget and predevelopment disbursement schedule.
* Successfully executed second mortgage agreement for $541,000 secured by the Community Center. (First Mortgage is held by Citizens, Peter Macero is the contact)

**Disbursement Conditions and/or Permitted Uses of Loan Proceeds:**

The loan will be used for acquisition and interest carry. Funding is at lender’s discretion.

**Reporting Requirements:**

* (Annually) within 180 days after the end of each fiscal year, audited financial statements of Guarantor
* (Annually) prior to the first day of the fiscal year, Borrower’s and Guarantor’s annual operating budget
* (Quarterly) within 45 days after the end of each quarter, management-prepared financial statements of Borrower and Guarantor for such quarter, each such financial statement containing a balance sheet, income statement, statement of cash flow, statement of compliance with the Financial Covenants, and such other quarterly financial statements as are customarily prepared on a quarterly basis;
* (Quarterly) at the start of each calendar quarter, updates on the project (1460 – 1474 Dorchester Avenue) for which Lender has advanced Loan funds
* (Quarterly) at the start of each calendar quarter, evidence that real estate taxes associated with the Premises have been paid in a timely manner
* (Immediately upon occurrence) Borrower’s report on any changes to Borrower’s senior management staff
* As soon as possible, and in any event, within fifteen (15) days after Borrower has actual knowledge thereof, a report or statement executed by an officer or authorized agent of Borrower with respect to: (A) the occurrence of any act, event, condition or omission which constitutes, or which after notice or lapse of time or both, would constitute an Event of Default hereunder, together with a written statement of any remedial or curative actions which Borrower proposes to undertake in order to cure or remedy such default, and any action already taken with respect thereto; (B) the existence or change in status of any pending or threatened litigation or administrative proceedings or investigations against or affecting Borrower which, if determined adversely to Borrower would have a material adverse effect upon the financial condition or operations of Borrower or the Project; and any reserves set aside or to be set aside in connection with such proceedings, in accordance with GAAP; (C) any substantial or material adverse change in the financial condition of Borrower or the Project;
* upon request, such other reports with respect to the Project or Borrower as Lender may, from time to time, reasonably request in writing, including the appraisal and any environmental reports.

**Key Events of Default:**

* Borrower declares bankruptcy, dissolves or ceases to exist
* Delinquent payments
* A default of any of the Borrower’s credit obligations will trigger a default under the BCC proposed line of credit. On an annual basis the borrower will be required to certify that no defaults have occurred.
* Use of loan proceeds for unauthorized purposes

**UNDERWRITING ANALYSIS**

**BCLF History with Borrower:** Worked with Viet Aid on three previous projects Toledo, Faulkner, and 1392 Dorchester) and found them to be a strong partner with the experience to develop quality projects for community benefit. In addition BCLF has a $142,500 predevelopment loan to the borrower for 1460 Dorchester Ave.

**Referred By:** Jim Hexter, Consultant

**Organizational/ Management Summary**

Viet-AID was founded in 1994 by a group of Vietnamese community activists. It is the first community development corporation founded by Vietnamese refugees and immigrants in the US. Viet-AID seeks to address identified needs in the low-income Vietnamese community, with a central focus on the Fields Corner area of Dorchester. To accomplish its mission, Viet-AID engages the community in strategies that promote:

* neighborhood and community organizing;
* economic development for small businesses;
* affordable housing development;
* childcare programs
* developing a community center;
* youth leadership.

**Board of Directors:**

The Board has five committees: Neighborhood/Community Building, Economic Development, Housing, and Youth Leadership Development. In addition, the Board has two ad hoc committees on the Community Center and the Childcare Program. The Board reflects a range of participants from the Vietnamese community including academics, attorneys, social service workers, and engineers.

**Management Team:**

**Executive Director: Hiep Chu** – became the Executive Director in late 2005 after , Mr TonThat, the previous director left to pursue consulting. (Mr. Ton That remains involved and most recently worked with Viet Aid on negotiations with the seller to explore the option of an additional deposit to delay the purchase). Mr Chu has a long history with Viet Aid. He was a founding board member, the Director of the Community Center for the first two years of operation, and most recently the Facility Director responsible for their internal property management. Mr. Chu, prior to working for Viet Aid, owned a small construction company, BT Construction. His firm focused primarily on small home repair jobs.

Mr. Chu has stated that he intends to have a long tenure at Viet Aid and his relationship with the board is strong. In light of all of the recent turnover at Viet Aid he understands that this is a concern and in a worst case scenario he assured BCLF staff that the board and their partners (the City, MHP, LISC, Boston Foundation, etc) are committed to ensuring that Viet Aid remain as a voice and development arm in the Vietnamese community. The Board co-chairs (Quinn Dang and Nina Lguyen) are long term board members with the capacity and commitment to step in if needed.

**Director of Real Estate Development: Joe Harrison** Mr. Harrison has been with Viet Aid since June 2005 and BCLF has found him to be a strong partner who has been focused on moving this project through its various stages. Mr. Harrison has received an offer of employment from Rogerson Communities and will be leaving at the end of February 2006. Mr. Harrison had interviewed with Rogerson at the same time as Viet Aid but Rogerson had decided to delay the hire indefinitely. It was only recently that they changed their minds and offered Mr. Harrison a position. Jim Hexter continues to work closely with Mr. Harrison as a member of the development team and upon Mr. Harrison’s departure Mr. Hexter will take over a s the prime contact. Viet Aid will begin to look for another Director of Real Estate Development in the spring.

**Homebuyer Trainer: James Hoa Ngo** – recently hired to provide support in the real estate department, particularly in the areas of homeownership counseling, and education.

**Track Record:**

* Renovation of former drug house into three units of family housing (Toledo 1999);
* New construction of 12 units of rental housing, BCLF financed (Faulkner 2000);
* Development of a $3 million Vietnamese Community Center in Dorchester (2002);
* Renovation, in collaboration with Caritas, of a vacant 3-story office building in the Fields Corner neighborhood of Dorchester. The project consists of twelve (12) affordable single-room occupancy (SRO) units for low-income working individuals and affordable retail space for a Vietnamese bookstore. (1392 Dorchester 2004)

**Sources of Funding:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2002 | 2003 | 2004 | 2005 |
| Contracts | 35% | 16 % | 24% | 12%[[3]](#footnote-4) |
| Grants | 46% | 28 % | 24% | 24% |
| Development Fees | 11% | 9 % | 13% | 26% |
| Rental Income | 4% | 27 % | 28% | 25% |
| Interest and Other | <1% | < 1% | 1% | <1% |
| Net assets released from restrictions | 3% | 20% | 10% | 13% |

**Project Summary**

The proposed project is a four-story, mixed-use, transit-oriented development across Dorchester Avenue from the entrance to the Fields Corner MBTA Red Line and area bus station. The lot has 16,753 square feet of area with three buildings that will be demolished. The new building will be constructed along the sidewalk with direct, pedestrian access to the commercial spaces. A vestibule will provide access to the upper residential floors.

The building will have forty-three residential apartments and approximately 6,800 square feet of retail/commercial space. All forty-three apartments will be affordable, subsidized units. There will be twenty-eight studio (efficiency) and fifteen one-bedroom apartments. One of two street level apartments will be reserved for an on-site manager. The apartments will be offered at affordable rents to individuals with incomes below 60% of median area income. Eight units will be reserved for those individuals with incomes less than 30% of median area income in cooperation with DMH. There will be a coin operated laundry facility on the second floor for the use of the residents.

The project will be a low-income housing tax credit development. The residential portion of the building will be one condominium, which will be owned by a limited partnership, the general partner of which will be an affiliate of Viet-AID. The commercial space will be sold as one condominium to a group of five investors, who plan to occupy the space with their own businesses; travel, insurance, financial services, copy center and a dental office. A memorandum of understanding with these five investors is currently under negotiation.

As a transit-oriented development, there will be no off-street parking. After much discussion with the BRA, DND, MONS and community leaders, it was determined that another driveway accessing Dorchester Avenue so close to the intersection with Adams Street would only be disruptive to the flow of traffic on Dorchester Avenue. Community leaders agreed with that assessment. The business people interested in purchasing the new retail/commercial space do not have off-street parking for their businesses now and were not concerned that there would be none. Designing the project without off-street parking allowed the design of close to 7,000 square feet of retail/commercial space on the street level. To create this much retail/commercial space with off-street parking meant using the basement, because the driveway consumes too much of the street level area. The community was adamantly opposed to placing retail/commercial space in the basement. Viet-AID will apply for a commercial loading zone in front of the building where a curb cut now exists. Trash will be compacted and placed at curbside for early morning pick-up once or twice a week.

Along the south property line with the MBTA there is a five-foot wide pedestrian walkway that is dedicated in perpetuity to the public in the property deed. It allows pedestrians to pass from the neighborhoods to the east of Adams Street to the Fields Corner MBTA station. The walkway is in disrepair and is not an inviting place to walk, especially at night. Viet-AID proposes to refurbish the walkway and to add a strip of landscaping five feet wide with trees and shrubs. New lighting will be installed along the path and the windows of the south façade of the building will look out on it, offering a more inviting and safer environment.

The site plan was accepted by the community and the project has considerable community and political support. A revised application for funding from the state was filed for the February 16, 2006 deadline, and every effort will be made to achieve readiness to proceed.

**Project Site:** The site is comprised of two lots, aggregating 16,753 square feet. The property appears on the City of Boston Assessor’s database under the address 1460 Dorchester Avenue. Boundary, topographic and utility surveys have been completed. There are three buildings on the site, which will be demolished as part of the development plan. All three buildings have basement space. The larger two-story office building is vacant. The smaller one-story buildings house Mr. Dwyer’s bar called Mickey’s Place and Fields Corner Injury Rehab, a physical therapist who is a tenant of Mr. Dwyer’s. The physical therapist will be relocated in accordance with the Uniform Relocation Act. Mr. Dwyer will close his bar and sell his liquor license. The property is owned in the name of Michael R. Dwyer, Trustee of Margaret Realty Trust. The Massachusetts Historical Commission has determined that “this project is unlikely to affect significant historic or archeological resources.”

**Environmental:** McPhail Associates, Inc, geotechnical engineers, completed an environmental site assessment report dated June 1, 2005. Among other things it states: “There are no Areas of Critical Environmental Concern (ACEC) located within the boundaries of the subject site nor are such areas located within 0.25 miles of the subject site. There are no surface water bodies or sensitive environmental receptors located within the subject site boundaries. Groundwater at the subject site is not considered a current or potential drinking water source. The surrounding area is occupied by residential and commercial properties.” The report notes that the Massachusetts DEP database lists five oil and/or hazardous materials disposal sites within 0.25 miles of the subject site, but goes on to say that “information contained in the Massachusetts DEP database does not suggest that releases at these locations pose a threat of impact to the subject site due to their position relative to the subject site, the anticipated groundwater flow direction, the nature of response actions and/or the distance of the release site to the subject site.” A further comment is that “this assessment has not revealed evidence of a past or present release of oil and/or hazardous materials at the subject site.” Soil borings have not as yet been performed.

**Community Process:** Viet Aid began meetings with community groups including, Fields Corner Main Streets, Fields Corner Civic Group and with Kit Clark Services in the spring of 2005. Two community-wide informational meetings were held at the Vietnamese-American Community Center in Fields Corner, the first one on July 13, 2005 and the second on August 18, 2005. These meetings were well attended and provided useful input to the development process. During the fall months of 2005 a number of meetings were held with the BRA, DND, BTD and MONS and community and political leaders to establish a site plan that could be taken to Small Project Review and to the ISD for zoning issues. Through this process a consensus was achieved in December as to the present site plan, which was reviewed with the community at a meeting on the evening of January 24, 2006 held at Kit Clark Senior Services Center in Fields Corner.

The meeting was attended by between sixty-five and seventy-five individuals representing a cross section of the community, including civic leaders, political leaders and residents of Fields Corner. City Counselor Maureen Feeney spoke to the meeting, giving her very strong endorsement of the project and pointing out the positive impact that it will have on Fields Corner and Dorchester Avenue. City Counselor Sam Yoon spoke in favor of the project, as did State Representative Martin Walsh. State Senator Hart was represented by staff.

The meeting was hosted by Fields Corner Civic Group and advertised extensively throughout the community. All interested parties were invited. Hiep Chu, Executive Director of Viet-AID provided an overview of the project and Chia-Ming Sze, architect, discussed the site plan and other design details. There were few questions and no negative observations were offered by any participant.

**Zoning:**

USE: Adams Street NS – Neighborhood Shopping Sub-district

Variances will be required for: Parking, Off-Street Loading Bay, Building Height, F.A.R. and Minimum Rear Yard. Viet-AID plans to file with ISD for rejection within the next two weeks. Upon rejection a hearing will be sought with the ZBA. At the same time an application will be filed with the BRA for Small Project Review.

The proposed use is consistent with the existing uses along Dorchester Avenue, which include many buildings with first floor retail, office or commercial space and upper floors with apartments. The suitability and livability for small units in this location is appropriate, given the proximity to shops, neighborhood services and public transportation.

**Project Stage:** Predevelopment

**Funding:**

## *Pre-Development*

Fields Corner Housing Corporation has a total of $284,500 in pre-development loans and grants as follows:

Boston Community Loan Fund, Inc.: $142,500 loan fully advanced.

Local Initiative Support Corporation: $112,000 loan with $29,210.88 advanced to date.

Local Initiative Support Corporation: $ 30,000 recoverable grant fully advanced.

In addition Viet Aid has approximately $70,000 of its own funds in for predevelopment costs.

To date the architect has been providing pre-development architectural services pro bono. As the project moves into the pre-construction phase with the development of full construction plans and specifications the project will require additional pre-development funding. The LISC loan is available for this and can be increased if necessary.

## *Permanent*

Permanent financing for the project is being sought from City and State HOME funds, the Affordable Housing Trust Fund, Low Income Housing Tax Credits, the Facilities Consolidation Fund and CATNHP. The retail/commercial condominium will be sold to a group of local entrepreneurs at cost. A permanent mortgage of approximately $500,000 from the Massachusetts Housing Partnership will complete the financing.

Viet-AID received a commitment for $405,000 in HOME and/or CDBG funding under date of August 8, 2005. At the same time the Neighborhood Housing Trust provided conditional commitment from their review of Viet-AID’s request for $750,000. September 9, 2005 Viet-AID filed their first One-Stop application for funding. The application was not expected to be successful because of a lack of readiness to proceed, and was not approved. A review and de-briefing with DHCD staff was held on February 1, 2006 in anticipation of filing a revised One-Stop application for the February 16, 2006 application round. The debriefing went well. DHCD is very supportive of the project but stressed the importance of completing the Article 80 review process prior to April in order to be deemed “Ready to Proceed” by the DHCD reviewers. If they do not meet this target DHCD stated that they could expect funding in the next round. Viet Aid is working very hard to accelerate their Article 80 review; they are being assisted by DND.

**Market/ Tenant Selection:**

A Market Study – Phase I Analysis of the proposed development at 1460 Dorchester Avenue was prepared by Multi-Family Specialists, Inc. as of August 26, 2005.

The property is 100% affordable with 35 of the units rented at HOME rents and the remaining 8 units will be set aside for the homeless who will pay 30% of their income towards rent.

Tenant selection will be made in accordance with the requirements of the City of Boston, the Low Income Housing Tax Credit Program and state and federal fair housing laws and regulations. The Marketing and Tenant Selection Plans will be finalized with the DND.

The proposed use is consistent with the existing uses along Dorchester Avenue, which include many buildings with first floor retail, office or commercial and upper floors with apartments. The suitability and livability for small units in that location is supported given the proximity to shops, neighborhood services and public transportation. The project design will provide full accessibility, and rooms with large windows and high ceilings. Referrals will be made from Kit Clark an Elderly Service provider in the area, from local community groups, and Vietnamese civic organizations. The marketing plan will be finalized with DND.

As mentioned, the commercial space will be sold as one condominium to a group of five investors, most of whom plan to occupy the space with their own businesses; travel, insurance, financial services, copy center and a dental office. A memorandum of understanding with these five investors is currently under negotiation and will be required for the BCLF closing.

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**Development Team:**

* Sponsor/Guarantor: Viet Aid
* Owner/Borrower Fields Corner Housing Corporation
* Development Consultant: Jim Hexter
* Contractor: TBD, will put the contract out to bid per DND guidelines
* Architect: Chia-ming Sze (Frank Kirwin) Mr. Kirwin designed the Community Center and managed the construction
* Management/Marketing Agent: Viet Aid will do the Property management.

DND will market the low income units.

* Attorney (Real Estate): Joel Fineburg
* Syndicator: MHIC (issued a conditional commitment letter pending a LIHTC award)

**Proposed Project Schedule:**

|  |  |  |
| --- | --- | --- |
| Preliminary Site Plan, Floor Plans and Elevations |  | 30-Jan-06 |
| MOU signed |  | 15-Feb-06 |
| Article 80 Review / File Project Notification Form |  | 10-Feb-06 |
| ISD - Zoning Review for Rejection |  | 10-Feb-06 |
| Public Subsidy Applications Submitted |  | 16-Feb-06 |
| Article 80 Review/ BRA Public Meeting |  | 24-Feb-06 |
| ISD - Rejection Letter |  | 3-Mar-06 |
| Article 80 Review/ BRA Approval |  | 30-Mar-06 |
| Purchase Site |  | 31-Mar-06 |
| ZBA Hearing - Zoning Approval |  | 4-Apr-06 |
| All Financing Sources Committed |  | 18-Apr-06 |
| Final Plans from Architect |  | 31-May-06 |
| Bids in |  | 30-Jun-06 |
| Construction Start |  | 7-Aug-06 |
| Construction Completion |  | 31-Aug-07 |
| Sale of Commercial Condo |  | 15-Aug-07 |
|  |  |  |

If Viet Aid does not obtain zoning approval in time for consideration by DHCD for their February application round as a result of a determination regarding “readiness to proceed”, they will re-apply in September 2006. This would push the timeline out with financing source commitments then moved to January 2007 and a construction start in April/May 2007 with completion in the spring of 2008 (worst case summer of 2008). There is sufficient interest carry in the loan to cover this period.

**Project Financials:**

**Pre Development Budget**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SOURCES |  |  |  |  |  |  |
| BCC Acquisiton Loan |  | 2,050,000 |  |  |  |  |
| BCC Pre Dev Loan |  | 142,500 |  |  |  |  |
| LISC Recoverable Grant |  | 30,000 |  |  |  |  |
| LISC Pre Dev Loan |  | 112,000 |  |  |  |  |
| VIET AID |  | 70,000 |  |  |  |  |
|  |  | **2,404,500** |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Line Item** |  | **TOTAL** |  | **Spent as of 2/06** | | **Thru Construction Close** |
|  |  |  |  |  |  |  |
| Acquisition |  | 1,800,000 |  | 0 |  | 1,800,000 |
| Option Payment |  | 95,000 |  | $95,000 |  | $0 |
| Architect and Engineering |  | $22,350 |  | $2,350 |  | $20,000 |
| Survey / Permits |  | $5,000 |  | $3,000 |  | $2,000 |
| Environmental Engineer |  | $6,000 |  | $3,000 |  | $3,000 |
| Legal |  | $70,000 |  | $20,000 |  | $50,000 |
| Title |  | $9,150 |  | $0 |  | $9,150 |
| Appraisal (incl. market) |  | $13,000 |  | $13,000 |  | $0 |
| VA staff / overhead |  | $45,000 |  | $30,000 |  | $15,000 |
| Consultant |  | $56,000 |  | $32,000 |  | $24,000 |
| Insurance |  | $4,000 |  | $0 |  | $4,000 |
| Carrying / interest |  | $29,000 |  | $9,000 |  | $20,000 |
| Acquisition Loan Interest |  | $250,000 |  | $0 |  | $250,000 |
|  |  |  |  |  |  |  |
| TOTAL |  | **$2,404,500** |  | $207,350 |  | $2,197,150 |

**Development Budget**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sources** |  |  |  |  |  |
|  | **Construction** |  | **Permanent** | **Position** | **Status** |
| **Deferred Dev Fee** | $33,902 |  | $33,902 |  |  |
| **DND NHT** | $750,000 |  | $750,000 | Shared 2nd | Committed |
| **DND Home** | $405,000 |  | $405,000 | Shared 2nd | Committed |
| **DHCD Home** | $750,000 |  | $750,000 | Shared 2nd | Pending |
| **AHTF** | $1,000,000 |  | $1,000,000 | Shared 2nd | Pending |
| **LIHTC** | $3,642,856 |  | $5,874,660 |  | Pending |
| **DHCD - FCF** | $1,000,000 |  | $1,000,000 | Shared 2nd | Pending |
| **CATNHP** | $750,000 |  | $750,000 |  | Pending |
| **Restore Grant** | $97,480 |  | $97,480 |  | Pending |
| **Construction Loan** | $4,477,164 |  | $0 | first | Pending |
| **Sale of Commercial Condo** |  |  | $1,715,000 |  | Pending |
| **Perm Loan** |  |  | $530,000 |  | Pending |
| **TOTAL** | **$12,906,402** |  | **$12,906,042** |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Uses** |  |  |  |  |  |
|  | **Subcatagory** | **Amount** | **Per Unit** | **Per sq.ft.** | **Notes** |
| **Acquisition** | Land | $1,800,000 |  |  |  |
|  | **Total: Acquisition** | **$1,800,000** |  |  |  |
| **Number of units** | 43 |  |  |  |  |
| **Square Footage** | 43,836 | $0 |  |  |  |
| **Hard Costs** | Construction | $7,721,938 |  |  |  |
|  | Contingency | $386,097 |  |  | 5.00% |
|  | **Total: Hard Costs** | **$8,108,035** | 188,559 | $184.96 |  |
|  |  |  |  |  |  |
| **Soft Costs** | Arch/Eng | $460,000 |  |  | 5.96% |
|  | Bond premium | $69,000 |  |  |  |
|  | Permits | $11,500 |  |  |  |
|  | Survey | $15,000 |  |  |  |
|  | Clerk of the Works | $65,000 |  |  |  |
|  | Environ Engineer | $24,000 |  |  |  |
|  | Legal - Sponsor | $140,000 |  |  |  |
|  | Legal - Lender | $46,000 |  |  |  |
|  | Title & Recording | $23,000 |  |  |  |
|  | Accting and Cost Cert | $30,000 |  |  |  |
|  | Marketing and Rent-up | $13,000 |  |  |  |
|  | RE Taxes | $20,000 |  |  |  |
|  | Insurance | $51,000 |  |  |  |
|  | Relo | $60,000 |  |  |  |
|  | Appraisal | $16,000 |  |  |  |
|  | Construction Interest | $213,000 |  |  |  |
|  | Security | $4,500 |  |  |  |
|  | Inspecting Engineer | $15,000 |  |  |  |
|  | Finance Fees: | $50,000 |  |  |  |
|  | Finance Fees: perm |  |  |  |  |
|  | Utilities | $2,550 |  |  |  |
|  | Acquisition Loan interest | $200,000 |  |  |  |
|  | Development Consultant | $120,000 |  |  |  |
|  | DHCD fee |  |  |  |  |
|  | Traffic |  |  |  |  |
|  | Soft Cost Contingency | $49,457 |  |  | 2.9% |
|  | **Sub-Total Soft Costs** | **$1,698,007** | 39,489 | $38.74 |  |
|  | Capitalized Reserves | $180,000 |  |  |  |
|  | Overhead | $180,000 |  |  |  |
|  | Developer Fee | $940,000 |  |  |  |
| **TOTAL Development Costs** |  | **$12,906,042** | **300,141** | **$294.42** |  |

**Operations – Holding Period**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Per Month | Annual |
| **Revenue** |  |  |  |
| Tenant (Physical Therapist) |  | 3,000 | 36,000 |
| **Total** |  |  | **36,000** |
|  |  |  |  |
|  |  |  |  |
| **Expenses** |  |  |  |
| Taxes |  | 1,850 | 22,200 |
| Insurance |  | 450 | 5,400 |
| Maintenance |  | 500 | 6,000 |
| **Total** |  | **2,800** | **33,600** |
| **NOI** |  |  | **2,400** |

The current tenant is a tenant at will and plans to remain on site until such time as the project needs to move into the construction phase at which time they will be relocated. The monthly rent from the tenant will cover the expenses related to the property. Any unforeseen expenses will be covered by the remainder of the LISC predevelopment loan. The LISC loan is for $142,500 and $82,789 remains available.

The interest for the BCLF acquisition loan is included in the loan and will be advanced monthly to cover the interest.

Operating Budget – Permanent

|  |  |  |  |
| --- | --- | --- | --- |
|  | *per unit* | *monthly rent* | *Annual rent* |
| **REVENUE** |
| 18 HOME SROs @ 60% | 713.00 | 12,834 | 154,008 |
| 13 1 BDRM HOME @ 60% | 750.00 | 9,750 | 117,000 |
| 3 HOME SROs @ 50% | 625.00 | 1,875 | 22,500 |
| 7 SROs @30% | 410.00 | 2,870 | 34,440 |
| 1 one BDRM | 410.00 | 410 | 4,920 |
|  |  |  |  |
| Other income |  |  |  |
|  |  |  |  |
| Gross Revenue |  | 27,739 | 332,868 |
|  |  |  |  |
| less Vacancy & Bad Debt | 5.0% | (1,387) | (16,643) |
|  |  |  |  |
| Net Revenue |  | 26,352 | 316,225 |
|  |  |  |  |
|  |  |  |  |
| **EXPENSES** |  |  |  |
| Administrative |  |  | 36,000 |
| HVAC / electrical |  |  | 9,900 |
| Common Gas |  |  | 36,000 |
| Water Sewer |  |  | 14,000 |
| Legal |  |  | 5,000 |
| Tenant Services |  |  | 16,000 |
| Elevator Maintanence |  |  | 12,000 |
| Accounting |  |  | 5,000 |
| Insurance |  |  | 33,000 |
| Maintenance repairs |  |  | 45,000 |
| Mgmt fees |  |  | 30,000 |
| DHCD Annual Fee |  |  | 1,500 |
| Taxes |  |  | 15,000 |
| Operating Reserves |  |  | 3,000 |
| Replacement Reserves[[4]](#footnote-5) |  |  | 11,550 |
|  |  |  |  |
| Total Expenses |  |  | 272,950 |
|  |  |  |  |
| Free Cash Flow |  |  | 43,275 |
|  |  |  |  |
|  |  | Per Month | Annual |
| MHP |  | 3,178 | 38,131.41 |
|  |  |  |  |
| DSCR |  |  | 1.13 |

**BCLF Posture:** The proposed loan does not exceed BCLF’s single loan or single borrower limits. BCLF has sufficient capital to make the proposed loan.

**Borrower Financials**

**Fiscal Year:** June 30th

**Name of CPA firm: Ziner, Kennedy, & Lehan LLF**

## STATEMENT OF ACTIVITIES/INCOME STATEMENT

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
| Total Operating Revenue | 571,246 | 666,919 | 978,458 | 1,130,054 | 1,229,483 |
| Total Operating Expenses | 558,702 | 629,688 | 987,213 | 1,191,843 | 1,413,123 |
| Other Revenue (expense) | 32,559 | 3,369,140 | 615,826 | 139,887 | 0 |
| Total Change in Unrestricted  Net Assets | 45,103 | 3,406,371 | 607,071 | 78,098 | (183,640) |
| Changes in temp. restricted NA |  |  | (470,424) | (170,736) | (109,594) |
| Change in NA | 378,832 | 3,451,620 | 136,647 | (92,638) | (293,234) |
| Ending Net Assets | 1,074,269 | 4,525,892 | 4,662,539 | 4,569,901 | 4,276,667 |
|  |  |  |  |  |  |

#### STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **FY01** | **FY02** | **FY03** | **FY04** | **FYO5** |
| **ASSETS** |  |  |  |  |  |
| Cash and Equivalents | 844,834 | 712,297 | 253,310 | 314,130 | 163,469 |
| Total Current Assets | 935,347 | 1,367,907 | 682,693 | 638,374 | 442,715 |
| Net Fixed Assets | 694,944 | 5,177,168 | 5,988,981 | 5,970,012 | 5,900,738 |
| Other |  |  | 268,691 | 58,748 | 53,141 |
| Total Assets | 1,630,291 | 6,545,075 | 6,940,365 | 6,667,134 | 6,396,594 |
| **LIABILITIES** |  |  |  |  |  |
| Current Liabilities | 80,282 | 735,819 | 183,796 | 208,021 | 126,070 |
| Total Long Term Liabilities | 475,740 | 1,283,364 | 2,050,771 | 1,830,499 | 1,929,416 |
| Total Liabilities | 556,022 | 2,019,183 | 2,277,826 | 2,097,233 | 1,972,319 |
| **NET ASSETS** |  |  |  |  |  |
| Total Unrestricted Net Assets | 294,534 | 3,700,908 | 4,307,979 | 4,386,057 | 4,202,417 |
| Total Net Assets | 1,074,269 | 4,525,892 | 4,662,539 | 4,569,901 | 4,276,667 |
| Total Liabilities and Net Assets | 1,630,291 | 6,545,075 | 6,940,365 | 6,667,134 | 6,396,594 |

#### RATIO ANALYSIS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
| Cash Ratio | 10.57 | .96 | 1.37 | 1.51 | 1.2 |
| Current Ratio | 11.65 | 1.86 | 3.7 | 3.06 | 3.5 |
| Debt to Net Assets Ratio | .44 | .28 | .44 | .40 | .45 |
| Total Liabs / Unrestr. N.A. | 1.89 | 0.55 | .52 | .47 | .46 |

#### STATEMENT OF CASH FLOWS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
| Cash from Operations | 51,305 | 69,746 | (39,006) | (43,339) | (178,809) |
| Cash from Investing | (310,289) | (2,862,552) | (1,940,895) | (117,179) | (60,445) |
| Cash from Financing | 652,135 | 2,651,854 | 1,531,329 | 219,338 | 88,593 |
| Change in Cash | 393,151 | (140,952) | (448,572) | 58,820 | (150,661) |
| Beginning Cash | 451,683 | 844,834 | 703,882 | 255,310 | 314,140 |
| Ending Cash | 844,834 | 703,882 | 255,310 | 314,130 | 163,469 |

1. $1,800,000 for acquisition, $250,000 for interest carry and $142,500 in an existing predevelopment loan. [↑](#footnote-ref-2)
2. The **purchase price** is $1,800,000. The loan request includes $250,000 for carrying costs and the rolling over of an existing $142,500 in predevelopment which is fully drawn. [↑](#footnote-ref-3)
3. While this appears to be a substantial decrease it is primarily a result in a large increase in developer fees in 2005 as compared to 2004. Government contracts were $332,000 in 2004 and dropped slightly to $319,000 in 2005. [↑](#footnote-ref-4)
4. $275 per unit [↑](#footnote-ref-5)