

## MHP CREDIT ANALYSIS --- Board of Directors

### Chestnut Park Apartments

#### Holyoke

Loan Officer: Amanda Roe

7/23/2013

#### FINANCING REQUESTED

\$785,000 first mortgage under the Permanent Rental Financing Program

Recourse: No

#### PROJECT SUMMARY DESCRIPTION

Chestnut Park is the adaptive reuse of four nearly adjacent but non-contiguous properties in downtown Holyoke -- two former school buildings, and a former rectory, and a former convent -- into four separate affordable housing properties totalling 55 units. The sponsor purchased these four vacant and abandoned buildings in 2004 from the Roman Catholic Bishop of Springfield. This LIHTC project will be 100% affordable, and will serve populations below 30%, 50%, and 60 % AMI. It will be located within two blocks of the Holyoke Health Center and the police and fire stations and City Hall. It is also near new improvements in downtown Holyoke, including the renovated downtown park across the street from the subject, and a recently opened regional intermodal transportation facility.

#### KEY PROJECT ECONOMICS

APPRAISED VALUE (est)	2,135,222
<i>Unrestricted</i>	
LOAN TO VALUE	37%

TERM	20
AMORTIZATION	30

RESIDENTIAL TDC/UNIT	311,588
DEBT/UNIT	14,273
VALUE/UNIT	38,822

BASE RATE	5.78%
RATE LOCK SPREAD	0.95%
CUSHION	0.50%
END RATE	7.23%

INCOME/UNIT	8,943
EXPENSE/UNIT	7,519
NOI/UNIT	1,424
DEBT SERVICE/UNIT	1,165

YR 1 DSC - MHP	1.22
YR 1 DSC - ALL DEBT	1.22

LOAN RATING	B/Satisfactory
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% MKT EXPOSURE	0.0%
% CMRC'L EXPOSURE	0.0%



#### SPONSOR/BORROWER INFORMATION

Sponsor(s) Name: E. Denis Walsh  
Borrower Name: Chestnut Park LLC

#### MHP LENDING HISTORY

MHP has closed no loans with Sponsor to date.

Property Manager: MB Management

#### MHP's EXPERIENCE WITH PROPERTY MANAGER

MB Management, which has specialized in market-rate and affordable housing property management since its founding in 1971, is the manager of a few MHP-financed properties on Cape Cod and New Bedford, and PM reports positively on their management services and reporting.

#### APPROVAL KEY DATES:

LOAN COMMITTEE: 7/9/2013

APPLICATION: 6/20/2013

BOARD MEETING: 7/23/2013

PROJECT REVIEW: 7/2/2013

CLOSE BY: 10/1/2015

## RISK ANALYSIS -- Chestnut Park Apartments

### Risk Matrix and Special Conditions / Policy Exceptions

AREA	RISK ASSESSMENT			COMMENTS
	Low	Medium	High	
Sponsor/Management		<b>X</b>		E. Denis Walsh is a highly experienced real estate developer and owner, focusing mostly on residential multi-family; this is his first tax-credit project and he has a small staff but strong development and management team.
Construction Period Risk	<b>X</b>			MHP's construction risk is limited to rate lock exposure and third-party costs prior to permanent loan closing.
Operating Income/Market Risk	<b>X</b>			Underwriting includes high vacancy assumptions and thick rent cushions.
Operating Expense	<b>X</b>			Subject's projected expenses at \$7,512/u fit well within the range of similar projects in the same region.
Cash Flow	<b>X</b>			DSC at 1.22x.
Property Condition	<b>X</b>			Gut rehab with a highly experienced design and construction team.
Repayment/LTV	<b>X</b>			Unrestricted LTV estimated at 37%.

**Special Conditions**

1. Satisfactory AHAP prior to closing.

**Policy Exceptions:**

None

**Issues within Loan Policy :**

None

**Funding Bank Approvals:**

1. Seeking approval by Webster Bank to fund an advance for this loan as an exception to the 5/14/14 expiration of its credit line with MHP.

**DEVELOPMENT SUMMARY -- Chestnut Park Apartments**

**Development Budget**

<b>Construction</b>		
Construction Lender: TBD		\$ 9,000,000
<b>Sources - Permanent</b>		
	<i>Status</i>	
MHP	A	\$ 785,000
	-	
	-	
State and Fed Historic Tax Credits	C	\$ 4,400,233
LIHTC 9%	C	\$ 8,910,000
DHCD HOME	C	\$ 715,000
City of Holyoke HOME	C	\$ 500,000
AHTF	C	\$ 1,000,000
DHCD HSF	C	\$ 750,000
Deferred Developer Fee	-	\$ 77,100
<b>Total Permanent Sources</b>		<b>\$ 17,137,333</b>

A: Applied C: Committed F: Funded

**Uses**

Acquisition Cost		<b>\$ 975,000</b>
Construction/ Rehab		
Direct Construction		8,430,833
Site Costs		2,050,200
Const. Contingency @ 10%		1,048,000
<i>Subtotal Construction</i>		<b>\$ 11,529,033</b>

**Soft Costs**

Soft Costs, including MHP Fees:

<i>Construction Related Soft Cost</i>		
Architectural/Engineering/Survey		764,000
Survey and Permits		65,000
Clerk of the Works		95,000
Environmental Engineer		69,800
Bond Premium		97,000
Real Estate Taxes		110,000
Insurance		135,000
FF&E		65,000
<i>Financing Fees</i>		
Appraisal		50,000
Construction Loan Interest		385,000
Fees to: DHCD DHCD Fees		100,750
Fees to: TD Bank Fees Constructio		159,865
MHP Application Fee		785
MHP Commitment Fee		7,850
Inspecting Engineer		28,000
<i>Legal</i>		
Borrower/Other Legal		189,000
Title & Recording		52,250
Acct & Cost Certification		50,000
MHP Legal		36,000
<i>Relocation &amp; Lease-up</i>		
Marketing and Rent Up		97,000
<i>Consulting &amp; Developer Fees</i>		
Development Consultant		155,000
Sponsor's Overhead		350,000
Sponsor's Fee Payable		1,063,900
Historic Consultant		65,000
<i>Reserves</i>		
Cap'zd Op Reserve(MHP)		131,573
Inv'r Req'd Reserve (Above MHP's		93,427
<i>Other</i>		
Soft Cost Contingency		140,000
<b>Subtotal Soft Costs</b>		<b>\$ 4,556,200</b>

<b>RES TOTAL DEV. COSTS</b>	<b>\$ 17,060,233</b>
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Syndication Costs/ Def. Fees	
Sponsor's Fee Deferred	77,100
<b>TOTAL PROJECT DEV. COST</b>	<b>\$ 17,137,333</b>

**Total Development Costs**

	Total	Per Unit	Per S/F
Acquisition Cost	\$ 975,000	\$ 17,727	\$ 13
Direct Constr/ Rehab	9,478,833	172,342	130
Site Costs	2,050,200	37,276	28
Reserves & Fin Fees	957,250	17,405	13
Consulting & Dev Fees	1,633,900	29,707	22
Other Soft Costs	2,042,150	37,130	28
<b>TOTAL Res. Dev. Cost</b>	<b>17,137,333</b>	<b>311,588</b>	<b>234</b>
<i>Total Units: 55</i>			
<i>Total Gross Residential SF: 73,179</i>			

**Construction & Rent-Up Risk Profile**

**Construction Loan Information:** The construction lender has not yet been identified. The writer is aware of interest by TD Bank and Boston Private Bank for this financing.

**Acquisition:** The land was purchased by E&M Realty in January of 2004 for \$250,000 from the Roman Catholic Bishop of Springfield. It was valued in an appraisal done by Kirk & Co. in April 2011 at \$1,160,000, which justifies the purchase price of \$975M (sponsor indicates carrying costs since purchase also justify more than this value). Of the 1.6-acre purchase, 1.3 acres will be used for the project and 9,000 remaining square feet will be held for future development. A subdivision of this land will occur by construction closing.

**Work Scope:** Adaptive re-use that will incorporate many of the historic features of the original construction, even though the interiors will be entirely gutted. New HVAC systems, windows, sprinkler system, plumbing and electrical systems will be installed. No major structural repairs are planned. The buildings are wood frame and brick. There will be 2 elevators and 67 parking spaces.

**Construction Issues:** Western Builders will be the contractor, and The Architectural Team is the architect. The sponsor has a signed contract with the contractor, but 100% drawings are not expected until July 15th, and construction is expected to begin September 1, 2013. The construction fits within the existing zoning and no variances are needed.

**Environmental Remediation:** A Phase I was done March 2010 by Tighe and Bond, which did not observe evidence of RECs that require further investigation. The writer is confirming that this report covers the entire site.

**Green Features:** The design incorporates insulated, low e glass windows, and a high efficiency central heating system. Specifications call for the recycling of demolition and construction waste.

**Development Cost/Reasonableness:** The project complies with DHCD Max Allowable Fee & Overhead policy, and the TDC/unit costs are within the DHCD Maximum at \$311M/unit. As of this writing, Mass Historic Tax Credits are anticipated to be purchased by either Clocktower or Foss and Co. at an \$.85 raise, and the LIHTC 9% credits are to be syndicated by City Real Estate Advisors at an estimated \$.85 raise.

**Schedule:**

Construction Closing	9/1/13
Construction Completion	11/1/14
Permanent Closing	10/1/2015



**OPERATING ANALYSIS**  
**Chestnut Park Apartments**

**Exhibit 2: Operating Budget**

<b>Operating Income:</b>	<b>Year 1</b>	<b>Per Unit</b>
S.8 PBA Contract Rents	70,980	8,873
Less Vacancy @ 5.0%	(3,549)	(444)
Tax Credit at 60% Rents	427,560	9,717
Less Vacancy @ 7.0%	(29,929)	(680)
Restricted at 50% Rents	24,720	8,240
Less Vacancy @ 7.0%	(1,730)	(577)
<b>Effective Rental Income (ERI):</b>	<b>488,051</b>	<b>8,874</b>
Other Income (Laundry)	3,800	69
Draws on reserves to meet DSC:	0	0
<b>Total Effective Income:</b>	<b>491,851</b>	<b>8,943</b>
Gross Potential Rents	527,060	

<b>Operating Expenses:</b>	<b>Year 1</b>	<b>Per Unit</b>
<i>Management Fee: 4.0% of ERI</i>	31,500	573
Administrative Payroll	38,000	691
Payroll Taxes & Benefits	11,400	207
Legal	6,000	109
Audit	8,500	155
Marketing	4,000	73
Telephone	1,000	18
Office Supplies	800	15
Acct & Data Processing	2,400	44
Investor Servicing	3,000	55
DHCD Monitoring	1,650	30
Bad Debt	4,000	73
<b>Subtotal: Administrative</b>	<b>80,750</b>	<b>1,468</b>
Maintenance Payroll	30,000	545
Payroll Taxes & Benefits	9,000	164
Janitorial Services	1,600	29
Landscaping	7,000	127
Decorating (interior only)	0	0
Repairs (inter. & exter.)	10,000	182
Elevator Maintenance	5,000	91
Trash Removal	4,200	76
Snow Removal	6,000	109
Extermination	8,500	155
Recreation	2,000	36
	0	0
<b>Subtotal: Maintenance</b>	<b>83,300</b>	<b>1,515</b>
Resident Services	5,000	91
Security	7,000	127
Electricity	22,000	400
Natural Gas	60,000	1,091
Water & Sewer	22,000	400
<b>Subtotal: Utilities</b>	<b>104,000</b>	<b>1,891</b>
Real Estate Taxes	47,000	855
Insurance	33,000	600
<b>Subtotal: Taxes, Insurance</b>	<b>80,000</b>	<b>1,455</b>
Replacement Reserve: 5% trending	22,000	400
Oper. Reserve	0	0
<b>Total Operating Expenses:</b>	<b>413,550</b>	<b>7,519</b>

Year	1
<b>NET OPER. INCOME (NOI)</b>	<b>78,301</b>
MHP Fund Mortgage Debt Svce.	64,101
Total MHP Debt Service	64,101
MHP Debt Coverage Ratio	<b>1.22</b>
Cash Flow	14,200
Home Funders 2% IO	0
Junior Debt Service only (rename)	0
Cash Flow after Junior Debt Svce.	14,200
<b>Total Debt Coverage Ratio</b>	<b>1.22</b>
MHP Ending Mortgage Balance:	777,365

**Operating Risk Profile**

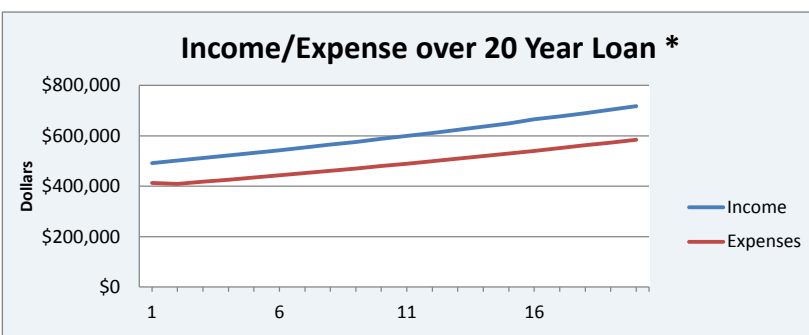
**Occupancy Risk & Mitigation, Revenue Risk & Mitigation:**

Acceptable risk with regard to revenue as the project is using 7% vacancy rates on the 50% and 60% AMI rents (which are cushioned at 12% and 16% respectively), and the Section 8 units are using a 5% vacancy, which should mitigate against re-leasing risk in a somewhat untested market of downtown Holyoke.

**Operating Expense Risk & Mitigation:**

Acceptable risk given the subject's expenses are on par with similar LIHTC projects in the same region, with the exception of the Cabotville expenses which are lower as it is not a LIHTC project.

<b>Annual DSC</b>	<b>Year 1</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 20</b>
Expected performance	1.22	1.52	1.68	2.08



\* The above chart reflects expected loan performance based on 2% income and expense trending beginning in Year 1, rather than adverse trending that is used for loan sizing.

	Verano	Cabotville	Family	Windfield	Comp Avg	Subject
Mgmt & Admin	1,893	1,733	1,785		<b>1,804</b>	<b>2,041</b>
Maintenance	2,637	2,011	2,637		<b>2,428</b>	<b>1,515</b>
Taxes & Insurance	1,313	1,607	1,284		<b>1,401</b>	<b>1,455</b>
Replacement Reserve	415	679	529		<b>541</b>	<b>400</b>
Other	-	-	-		-	-
<b>Subtotal (excl. Utilities)</b>	<b>6,258</b>	<b>6,030</b>	<b>6,235</b>		<b>6,174</b>	<b>5,410</b>
Utilities	957	679	1,287		<b>974</b>	<b>1,891</b>
<b>Total</b>	<b>7,215</b>	<b>6,709</b>	<b>7,522</b>		<b>7,149</b>	<b>7,301</b>

Total	7,215	6,709	7,522	7,149	7,301
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**Discussion of Subject vs Comp Operating Expenses:**

The project is a 9% low income housing tax credit project, which increases the administrative operating expenses. Gas heat is included in the rent which drives up the utility numbers.

The buildings are being adaptively re-used and new systems are being installed, including elevators. These newer components should not require significant repairs.

The four sites are large and therefore the landscaping, snow removal lines are funded well.

**List of Exhibits:**

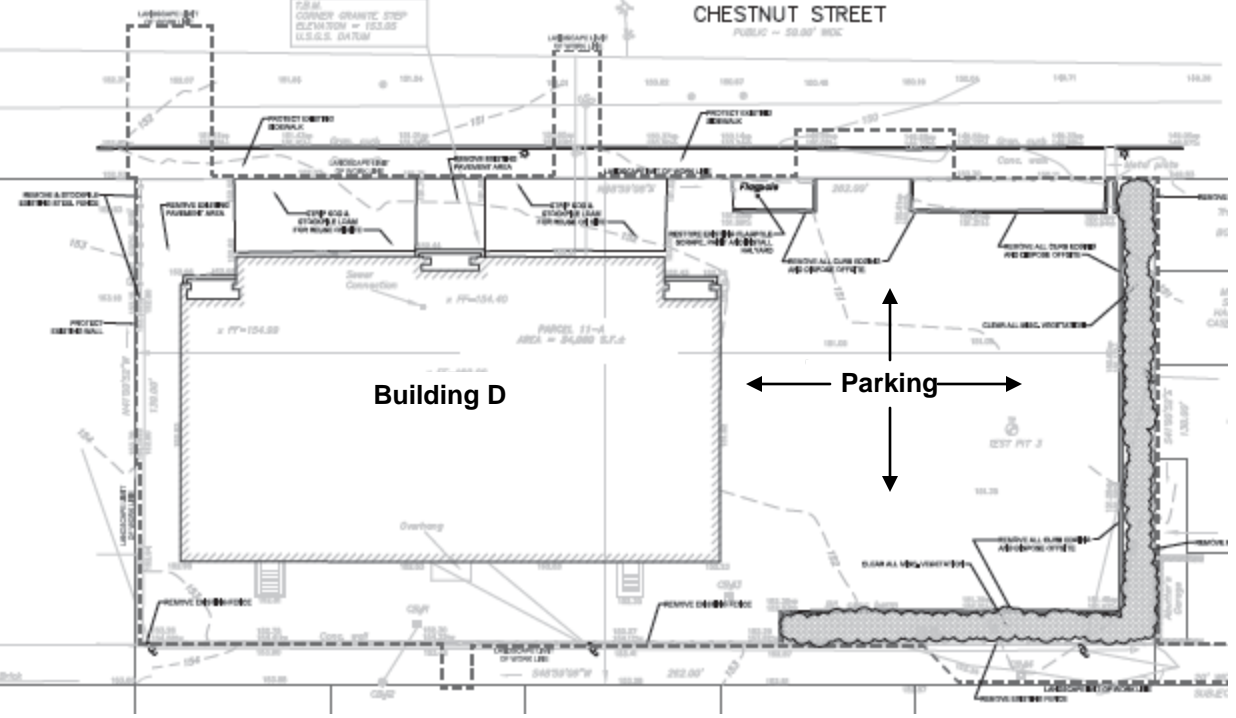
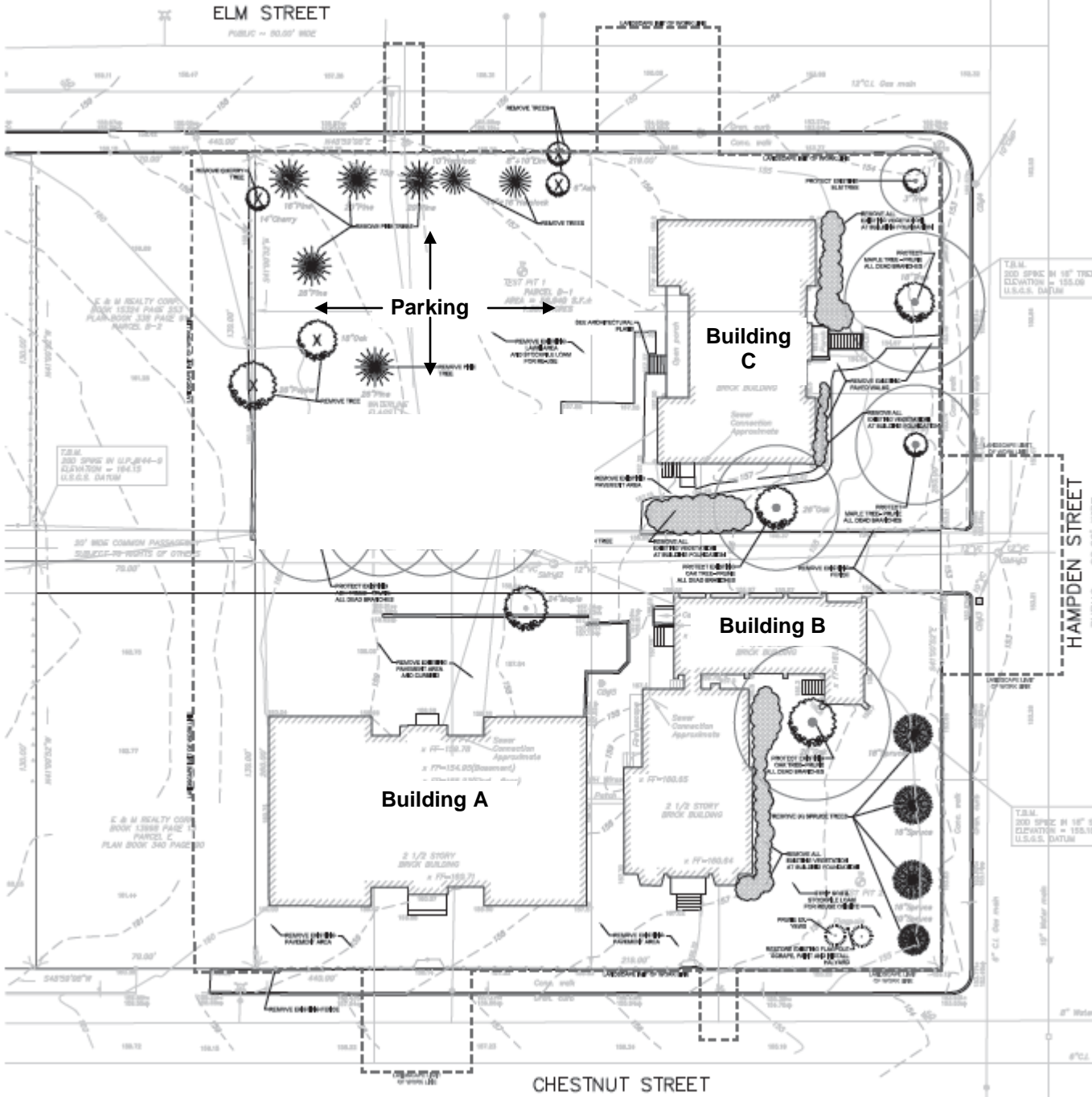
- Exhibit A: Locus Map and Aerial Photo of Site
- Exhibit B: Site Plan
- Exhibit C: Photos
- Exhibit D: Elevations
- Exhibit E: Floor Plans
- Exhibit F: Sponsor Financial Analysis
- Exhibit F-1: Spreads of Personal Financial Stmt
- Exhibit F-2: Walsh REO Schedule
- Exhibit G: MB Management Portfolio

# Exhibit A: Locus Map and Aerial Photo of Site

Project Address: 85,95,47-60 Chestnut St and 218 Hampden St, Holyoke MA



# Exhibit B: Site Plan



**NOTE: Building D is one-half block northeast of the location of Buildings A, B, and C.**

## Exhibit C: Photos

**Building A (former school) 91 Chestnut Street**



**Building B (convent) 218 Hampden Street**



**Building C (The Chapel) 85 Chestnut Street**

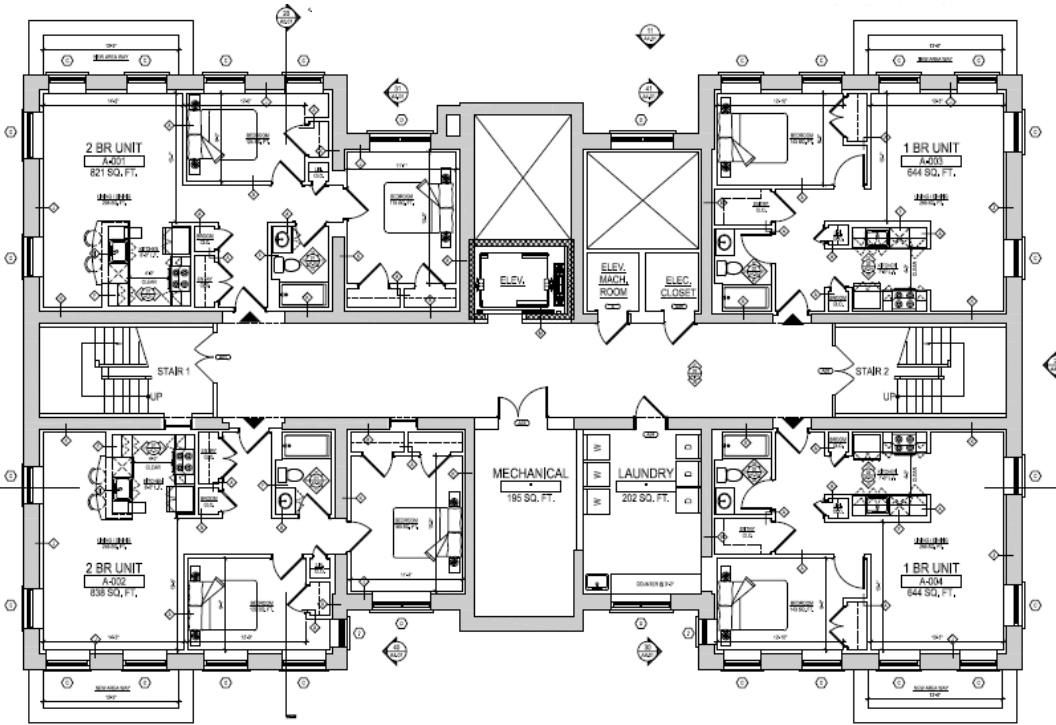


**Building D (Whiting School) 70 Chestnut Street**

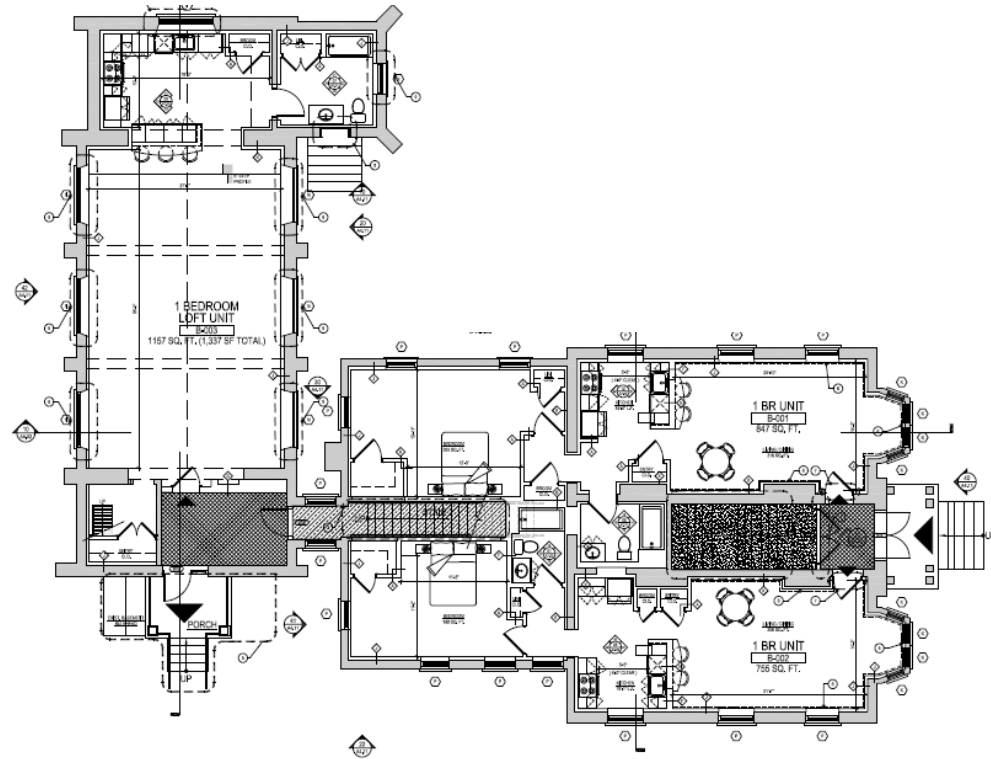




# Exhibit E-1: Floor Plans at Grade Levels

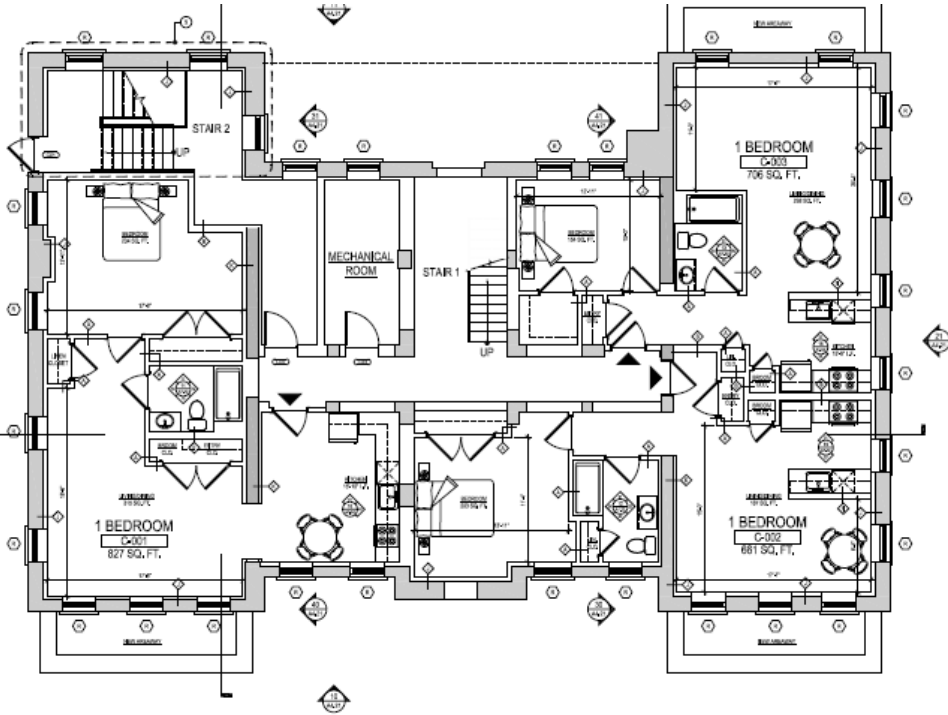


**Building A**

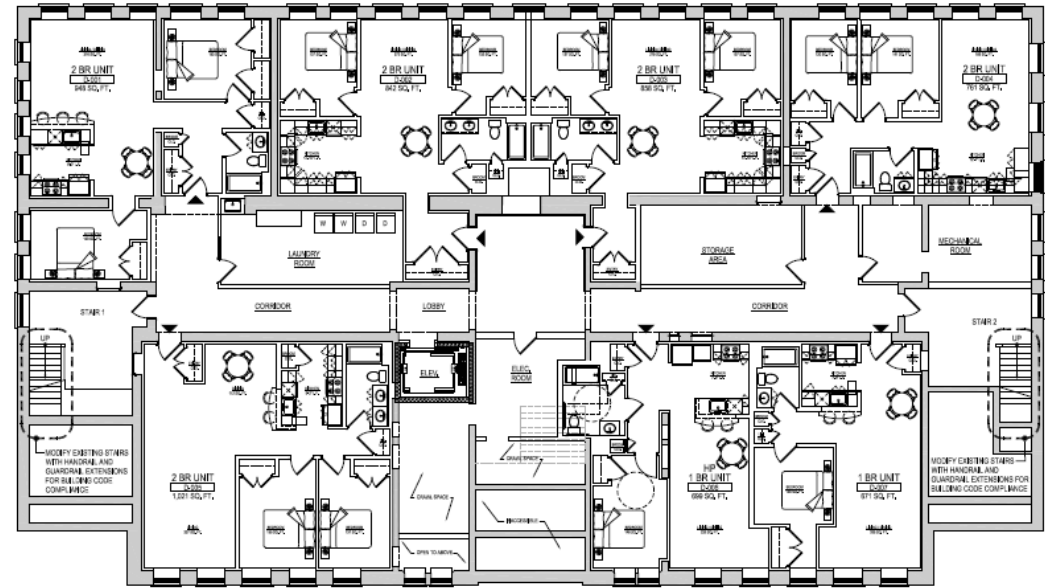


**Building B**

# Exhibit E-2: Floor Plans at Grade Level



**Building C**



**Building D**

***MB Management Company  
Real Estate Management Portfolio***

<b><i>Property</i></b>	<b><i>Location</i></b>	<b><i>Units</i></b>	<b><i>Program</i></b>	<b><i>Occupancy</i></b>
Acushnet Commons	New Bedford, MA	12	LIHTC	Multi/family
Betty's Dream	Portsmouth, NH	24	Section 8/LIHTC	Elderly/hc
Briston Arms	Cambridge, MA	154	Conventional/Section 8	Multi/family
The Brook	Utica, NY	98	Section 8	Elderly/hc
Canal Bluffs	Bourne, MA	28	Tax Credit	Multi/family
CATCH	Concord, NH	255	Affordable mixed	Multi/family
Cefalo Memorial	Melrose, MA	107	Section 8	Elderly/hc
Cocheco Park	Dover, NH	78	Section 8	Elderly/hc
Community Development Properties	Eastham, MA	64	Affordable mixed	Multi/family
Dalin Multifamily	Boston, MA	108	Conventional	Multifamily
Fairtide	Kittery, ME	5	Conventional	Multi/family
Finlay Development	Manchester, NH	111	Various Assisted/Condo	Multi/family
Founders Court	Hyannis, MA	32	Affordable mixed	Multi/family
Fulton Mill	Fulton, NY	108	Section 8	Elderly/hc
Goodrich Apartments	Winchendon, MA	36	Tax Credit	Multi/family
Grinnell Congregate	New Bedford, MA	17	Section 8/LIHTC	Elderly/congregate
Hayward Landing	Douglas, MA	96	Conventional	Multi/family
Highland Court	Providence, RI	79	Conventional	Multi/family
Housing Partnership	Portsmouth, NH	200	Various Assisted	Multi/spec need.
nter Church Elderly	New Bedford, MA	44	Section 202/Section 8	Elderly/hc
Kimber Woods	W. Barnstable, MA	28	Tax Credit	Multi/family
Ledgewood Commons	Dartmouth, MA	100	Conventional/40b	Multi/family
Lombard Farms	W. Barnstable, MA	12	Tax Credit	Elderly
Marian Gardens	Lynn, MA	94	Family/Section 8	Multi/family
Pierce Manor	Providence, RI	84	Section 202	Elderly
Pigeon Cove Ledges	Rockport, MA	30	Rural Housing	Elderly/hc
Pine Oaks I	Harwich, MA	60	Rural Housing/Section 8	Elderly/hc
Pine Oaks II	Harwich, MA	38	Rural Housing	Elderly/hc
Pine Oaks III	Harwich, MA	65	HUD/202	Elderly/hc
Riverview Residences	Dover, NH	24	Conventional	Multi/family
Rockdale Commons	Northbridge, Ma	40	Family/Section 8	Multi/family
Rockport HS Apartments	Rockport, MA	31	Rural Housing	Multi/family
Roxbury Highlands	Roxbury, MA	51	Section 8	Multi/commercial
Squamscott Block	Exeter, NH	30	Conventional	Multi/family
Steinhorst Square	Utica, NY	100	Section 8	Elderly/hc
United Front	New Bedford, MA	200	Section 236/RS	Multi/family
Villa Nueva Vista	Springfield, MA	110	Section 8	Multi/family
Washington House	Taunton, MA	14	Section 8	Elderly/hc
Weld Park	Roslindale, MA	14	Section 8	Elderly/hc
Wells Court	Brewster, MA	24	Section 202	Elderly
		2805		

***PRFP Vote:***

To authorize a first mortgage loan of up to \$785,000 pursuant to MHP's Permanent Rental Financing Program, utilizing funds available to MHP pursuant to Chapter 102 of the Acts of 1990 or through other agreements with banks, for the Chestnut Park Apartments Project in Holyoke (the Loan).

The Loan shall be consistent with MHP's Loan Policy for the Permanent Rental Financing Program (the Loan Policy) and the Chestnut Park Apartments Credit Analysis dated 7/23/2013 including all special conditions contained therein, and presented in the 07/23/2013 MHP briefing materials, as the same may be modified pursuant to the Loan Policy.

MHP commitment for the Loan shall expire if the loan closing does not occur by 10/1/2015.