

Build For CT

Connecticut Housing Finance Authority

Rental Housing: Encouraging New Construction

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Build For CT: Housing for Middle-Income Renters

Summary

Connecticut faces a pressing need to address the housing challenges of middle-income renters who earn between 60% and 120% of the Area Median Income (AMI). The Build For CT program provides affordable housing options for these households. By leveraging innovative financing and promoting public-private partnerships, Build For CT bridges the gap between rising market rents and more traditional affordable housing options like LIHTC. This initiative represents a critical step towards ensuring economic growth and development while meeting the housing needs of Connecticut's workforce.

Why Now

Under the current administration, Connecticut has moved to strengthen its commitment to economic growth, with concerted efforts to boost employment and attract a skilled workforce. However, this growth raises several critical housing needs:

- Middle-income workers face significant challenges in securing affordable housing, particularly in the communities where they work. For context, according to the most recent US Census data, the 60-120% AMI range for a two-person household in the Hartford area is approximately \$56,700 to \$113,400. Occupations that earn within this range include teachers, firefighters, police officers, and nurses.
- Connecticut's middle-income housing market remains underserved. CHFA's analysis of HUD's Comprehensive Housing Affordability Strategy data determined that there is currently a gap of approximately 100,000 rental units that are priced affordable for middle-income earners. Additionally, CHFA's recent Housing Needs Assessment found that as many as one in four middle-income renters currently occupy units that are priced affordable for households who earn less than 80% AMI, who are more likely to be cost-burdened than middle and upper-income households. This implies that the creation of more middle-income units could alleviate cost burdens for moderate and lower-income renters.¹
- High cost of land, labor, and capital has hindered the development of all housing in Connecticut. However, whereas public subsidies can support traditional affordable housing (i.e., that meant for renters earning less than or equal to 60% AMI) and the market forces drive demand for high-cost luxury rental housing, there is a lack of resources designated for middle-income housing creation. Without attractive, appropriately-priced housing options, middle-income renters tend to occupy naturally

¹ 2023 Connecticut Housing Needs Assessment, <https://www.chfa.org/hna/>

occurring affordable housing that otherwise would be affordable to low- and moderate-income households.

How Build For CT Can Help

The Build For CT program addresses these needs through:

- **Financing** – Build For CT provides up to \$125,000 per middle-income housing unit at below market interest rates. This innovative financing model enables developers to overcome financial barriers and create affordable housing options for middle-income households.
- **Public-Private Partnerships** – The program encourages collaboration between public agencies, private developers, and financial institutions to maximize resources and promote long-term affordability. By leveraging private investment, Build For CT ensures the sustainability of affordable housing projects.
- **Innovative Design** – Build For CT prioritizes innovative design features, such as higher density development and energy-efficient design, to optimize resources and promote sustainability. These design elements not only enhance the quality of housing but also contribute to the overall well-being of residents.

Why Build For CT is Unique

Build For CT stands out for its innovative approach to addressing Connecticut's housing challenges. At least 20% of units must be affordable for households earning between 60-120% AMI. Developers can borrow up to \$125,000 per middle-income unit. Those units must remain affordable to middle-income renters so long as the loan is outstanding, but not less than six years from issuance of initial certificate of occupancy and annual certifications. **See attached for further details.**

Since launching in fall 2023, two projects have been funded under the program with several more in the pipeline:

Kelson Row, Rocky Hill: Located in a strategic area, Project A will create 50 workforce housing units for middle-income workers. Build For CT provided crucial financing support, making the project financially viable and contributing to the revitalization of the community.

Steelpointe Harbor Apartments, Bridgeport: This mixed-use development will provide 60 workforce housing units, along with commercial and retail space. Build For CT's innovative financing model enabled the developer to overcome financial hurdles and create much-needed housing opportunities for middle-income households.

Why Build For CT is Award-Worthy

Innovative: Build For CT introduces an innovative financing model by providing flexible terms, enabling developers to overcome financial barriers and create affordable housing options for middle-income households.

Replicable: The program's financing structure and emphasis on public-private partnerships can be replicated in other states facing similar housing challenges. By leveraging private investment and maximizing resources, Build For CT offers a scalable solution to the housing affordability crisis.

Response to an Important State Housing Need: Build For CT targets the 60% to 120% AMI housing market, addressing a critical gap in Connecticut's housing landscape. By providing affordable housing options for middle-income workers, the program supports economic growth and development while meeting the housing needs of the state's workforce.

Early Successes in the Marketplace: Build For CT has quickly established market presence, having already funded two projects that will include more than 200 middle-income units with many more units in the pipeline.

Benefits That Outweigh Costs: The benefits of Build For CT far outweigh its costs, both in terms of financial investment and social impact. By addressing the housing affordability crisis and promoting economic development, the program contributes to the overall well-being of communities and residents.

Effective Use of Resources: Build For CT effectively utilizes resources by leveraging private investment, optimizing public funding, and encouraging sustainable development practices. By prioritizing shovel-ready projects and strategic partnerships, the program ensures the efficient use of resources to achieve its objectives. In the case of Steelpointe Apartments, Build For CT filled a \$20MM gap in a \$185MM capital stack that was the result of increased construction costs, interest rates and a more challenging lending environment. Without Build For CT, this transformative project would not have moved forward.

Employment of Partnerships: Build For CT fosters collaboration between public agencies, private developers, and financial institutions, effectively employing partnerships to maximize resources and promote long-term affordability. By leveraging the expertise and resources of various stakeholders, the program achieves greater impact and sustainability.

Achievement of Strategic Objectives: Build For CT aligns with strategic objectives to address the housing needs of middle-income workers, promote economic growth, and foster sustainable development. Through its innovative financing model, strategic partnerships, and focus on measurable outcomes, the program successfully achieves its strategic objectives while delivering tangible benefits to communities and residents.

| Appendix – Program Overview

BUILD4CT – Workforce Housing Program
Program Criteria

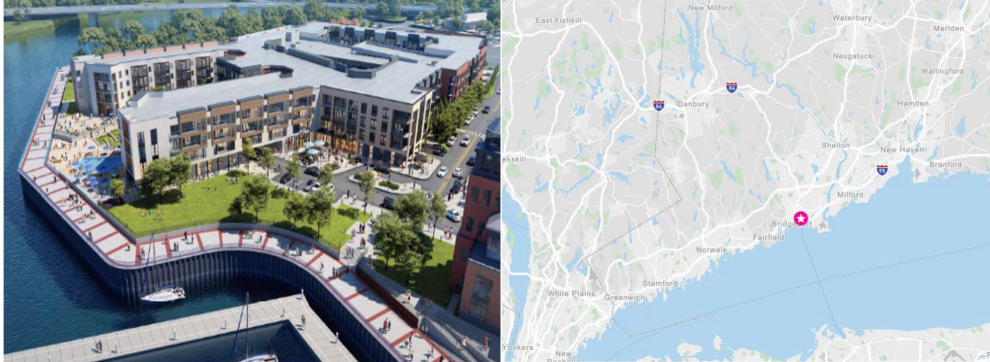
Program Description:	To provide subordinate financing that will offer favorable terms and more flexible underwriting to incentivize developers of market rate multifamily properties to create units that are affordable to middle income households.
Loan Types:	Construction-to-permanent and permanent only
Project Size:	Minimum 50+ unit developments with exceptions made on a case-by-case basis.
Lender Participation:	Funding provided in participation with designated participating middle-income housing lenders
Targeted AMI:	At least 20% of the total units between 60-120% AMI. Maximum allowed rents affordable to middle income households must reflect a discount to market rents. CHFA may consider funding against a portion of middle-income affordability restrictions required for inclusionary zoning.
Development Activities:	To be built or completed, market rate multifamily unrestricted developments including adaptive reuse and substantial rehabilitation of existing market rate multifamily developments that do not currently have any affordability restrictions in targeted areas.
Loan Term:	Construction Loan: Up to 36 months Permanent Loan: 20 years
Interest rate:	1% - 3% fixed for the term Loan/s. Rate is determined by CHFA in its sole discretion and largely dependent on how much of a discount the restricted units' rental rates provide when compared to market rents as determined in the Senior Lender's appraisal.
Repayment:	Construction: Interest-only payments Permanent: 40-year amortization
LTV:	80% maximum combined LTV inclusive of Senior Loan.
Loan amount:	Up to \$125,000 per middle income unit (as determined by CHFA in its discretion)

Prepayment:	At any time with a minimum yield of 1%
Lien position:	Subordinate to participating/senior middle income lender
Debt Coverage:	As determined by participating Senior Lender subject to minimum 1.15x amortizing DSCR.
Fees:	75bps or as otherwise required by CHFA in its discretion
Rate lock:	Rate confirmed at approval and receipt of senior lender's appraisal confirming market rents.
Affordability Compliance:	Affordability restrictive covenant encumbering Development so long as the Loan is outstanding, but not less than 6 years from issuance of initial certificate of occupancy and annual certifications
Escrows:	Real estate taxes and insurance to be collected in accordance with participating lender's requirements.
Recourse:	Carve-out guaranty typically required with additional completion or repayment guaranty may be required by CHFA in its discretion.
Additional requirements:	All underwriting requirements of the participating middle income housing lender will need to be met and accepted by CHFA. In addition, items identified on Exhibit A will be required in form and content that is acceptable to CHFA.

| Appendix – Development Summaries

Steelpointe Harbor

137 East Main Street, Bridgeport, CT 06608



DEVELOPMENT PROFILE	
Loan Type (Construction to Permanent)	
New Construction of 420 Units (54- Studio, 216- 1BR, 170- 2BR, 34- 3BR) with 10,000SF of retail space	
Mortgagor: SP Residential I, LLC	
Developer: Flaherty & Collins Development, LLC and RCI Marine, Inc.	
Management Company: Flaherty & Collins Properties	
Senior Lender: Old National Bank (Headquarters - Evansville, IN)	

KEY METRICS			
Total Development Costs:	\$185,980,502	Middle Income Units:	160
Development Cost Per Unit	\$442,811	% Middle Income Units:	38%
Senior Loan:	\$111,000,000	Est. Year 1 Discount from Mkt Rent:	\$738,284
CHFA Loan:	\$20,000,000	Annual Discount Per Unit	\$4,614
CHFA Loan per Middle Income Unit:	\$125,000	Rate:	2%
Combined DSCR Year 1:	1.15	Interest Only Construction Loan	48-months
Combined Stabilized LTV:	60%	Permanent Term (Years):	20
Total Units	420	Amortization (Years):	40
Anticipated Closing:	1st Quarter 2024	Affordability:	
		80%	22 Units
		100%	102 Units
		120%	36 Units

Steelpointe Harbor - Unit Mix										
Total # of Units	420									
Proposed # of Middle Income Units	160									
% Middle Income Units	38%									
DISPERSION OF MIDDLE INCOME UNITS										
Style	Program	Avg Sq. Ft/sg	# of Units	% AMI	Estimated Monthly Market Rent/Unit	Monthly Rent Limit/Middle Income Unit	Monthly Discount from	Annual Discount from Market Rent/Unit	Total Annual Discount to Market Rent	Household Income Limit
Studio	Build4CT	437	39	100%	\$2,200	\$2,055	\$146	\$1,746	\$68,094	\$82,180
1BR	Build4CT	710	22	120%	\$2,900	\$2,642	\$259	\$3,102	\$68,244	\$105,660
2BR	Build4CT	911	57	100%	\$2,900	\$2,642	\$259	\$3,102	\$176,814	\$105,660
2BR	Build4CT	911	12	80%	\$2,900	\$2,113	\$787	\$9,442	\$113,299	\$84,528
3BR	Build4CT	1,204	6	100%	\$4,000	\$3,052	\$948	\$11,371	\$68,227	\$122,096
3BR	Build4CT	1,204	14	120%	\$4,000	\$3,663	\$337	\$4,045	\$56,636	\$146,515
3BR	Build4CT	1,204	10	80%	\$4,000	\$2,442	\$1,558	\$18,697	\$186,970	\$97,677
Totals			160					\$738,284		

Through Build For CT program, CHFA is providing a \$20 million loan to support the construction of 160 units that will be designated affordable to middle-income renters earning between 80-120% of area median income. Steelpointe Harbor Apartments consists of 420 units and 10,000 square feet of commercial space.

Kelson Row

2418 Main Street & 1 Dividend Road, Rocky Hill



DEVELOPMENT PROFILE

New Construction of 213 Units (93 1-BR, 120 2BR) with 9,959SF of commercial space

Mortgagor: Rocky Hill Gateway, LLC

Developer: Michael Belfonti

Management Company: Bozzuto Management Company

Senior Lender: Liberty Bank

KEY METRICS

Total Development Costs:	\$70,000,000/\$328,700/Unit	Middle Income Units:	44
Senior Loan:	\$50,000,000	% Middle Income Units:	21%
CHFA Loan:	\$5,500,000	Est. Year 1 Discount from Mkt Rent:	\$306,575
CHFA Loan per Middle Income Unit:	\$125,000	Annual Discount Per Unit	\$6,968
Combined DSCR Year 1:	1.33	Rate:	2%
Combined LTV:	73%	Interest Only Construction Loan	up to 36-months
Total Units	213	Permanent Term (Years):	20
Anticipated Closing:	4th qtr 2023	Amortization (Years):	40
		Affordability:	80% 22
			100% 22

Dispersion of Middle Income Units

Style	Sq. Ft/Ge	# of Units	% AMI	Estimated Monthly Market Rent/Unit	Monthly Rent Limit/Middle Income Unit	Monthly Discount from Market/Unit	Annual Discount from Market Rent/Unit	Total Annual Discount to Market Rent
1BR/1BA	879	10	100%	\$2,593	\$2,214	\$379	\$4,544	\$45,441
1BR/1BA	879	10	80%	\$2,593	\$1,603	\$990	\$11,881	\$118,806
2BR/2BA	1,128	12	100%	\$2,752	\$2,657	\$95	\$1,141	\$13,690
2BR/2BA	1,128	12	80%	\$2,752	\$1,859	\$893	\$10,720	\$128,638
Totals		44						\$306,575

Located on the site of the recently demolished Ames headquarters, Kelson Row is a mixed-use development that will include 213 residential units. Through the Build For CT program, CHFA is providing a \$5.5 million loan to support the construction of 44 units that will be designated affordable to renters earning between 80-100% of area median income.