



THE HOUSING AUTHORITY OF THE TOWN OF DARIEN  
DARIEN TOWN HALL ~ 2 RENSRAW ROAD  
DARIEN, CONNECTICUT 06820



*Tel: (203) 6550866*

*Fax: (203) 6561078*

*Commissioners:*

Jennifer Schwartz, Chairman  
Cynthia Ashburne, Vice Chairman  
darienhousingkm@yahoo.com  
Joseph Warren, Treasurer  
Jan Raymond, Asst. Treasurer  
Kass Bruno, Resident Commissioner

*Executive Director:*  
Kathryn Y. Molgano

January 12, 2010

Lyndsay Santimays  
Darien Times  
10 Corbin Drive, 3<sup>rd</sup> Floor  
Darien, CT 06820

Re: DHA Commissioners response to Stolar Analysis

To the Editor:

The Darien Housing Authority needs to correct misstatements of facts made by Sandy Stolar regarding the Allen O'Neill Redevelopment. The DHA has an obligation to provide the facts and Darien residents have the right to know.

**Sandy Stolar's Report:** In December 2009, Mr. Sandy Stolar of Fairfield Avenue submitted a report to the Board of Selectman stating his opinion on the financing structure of the proposed AON development. It should be noted that these opinions are just that. It is not clear from his resume that Mr. Stolar has experience or expertise in low and moderate-income housing finance. The majority of his comments are about the merits of the financing of the project. He disagrees with the assumptions the DHA utilized in compiling our funding application to the Connecticut Housing Finance Authority and the Department of Economic and Community Development. **The financial assumptions in our application are prescribed by CHFA and DECD, the lenders.** All applicants must use these assumptions in order to determine financial viability and meet underwriting standards. Mr. Stolar utilizes his own opinions on rent structure and income levels, vacancy rates, utility allowances, and inflation. His assumptions differ from **the underwriting standard of the lenders.** Our application for funding was approved in August 2009, contingent upon the allocation of tax credits.

- The assumption of vacancy rates that the DHA used in the funding application was prescribed by CHFA. Mr. Stolar asserts that it should be higher. The DHA relies on CHFA. **Vacancy rates are set by CHFA and DECD, and are not subject to opinion for application purposes.**

- Mr. Stolar stated that he was concerned that the rent structure was too high for the incomes of the households who would reside there. While Mr. Stolar doesn't believe that households can pay 30% of gross income in rent, and has stated so repeatedly in public, the DHA assures Mr. Stolar that tenants regularly pay 30% of gross income in rent, and sometimes even higher, and still manage to remain upstanding citizens with no criminal records. **The rent structure the LIHTC program utilizes, is based on HUD published rent tables and has worked for every LIHTC funded project to date.** For a copy of all of the affordable housing projects funded with LIHTC in Connecticut since 1987, along with contact information, please visit [http://www.chfa.org/TaxCredits/allocation\\_applicant\\_listing.htm](http://www.chfa.org/TaxCredits/allocation_applicant_listing.htm).
- Mr. Stolar double counted expenses as well as inflated the mortgage amount for which we applied. We are required to use an assumption of 3% in operating expenses. That was reflected in our 2012 budget (the utility allowances are already included in the rent structure). Mr. Stolar added an additional 3%, and then began inflating it from there at 5% (his opinion, not CHFA underwriting standards). Furthermore, we applied and received a commitment for \$10.7 million, not the \$12 million Mr. Stolar asserts (see Section 5.7 and Exhibit 5.6 of the CHFA application). His analysis resulted in an overstatement of debt service of \$60K per annum. The AON project will cashflow at 1.15x debt service coverage, **as required by the State and DECD.**
- As for Mr. Stolar's opinion that our construction budget is inadequate, he fails to note that the construction budget has contingency accommodations in excess of 5% (\$1MM) and operating reserves in excess of \$525,000. He also fails to note that the DHA will have a bonded, fixed price contract with a construction company.
- As for Mr. Stolar's concern over the amount of tax credits available to applicants in the coming year, he is accurate in that approximately \$3 to \$4 million of credits will be available in the 2010 allocation period. However, the AON project will not require all of its \$2.3 million of credits for which it is applying in the first year, but rather half would be forward committed to 2011. Forward commitment of tax credits is a practice that CHFA utilizes. CHFA forward-committed for several affordable housing projects in 2009. The reason we would need a forward commitment for funding (tax credits) is due to phasing and relocation.
- Mr. Stolar also makes claims about the tax credit market. While it is true that the price and market demand for tax credits has declined, there indeed exists a market. In 2008, applicants who received allocations for low income housing tax credits had budgeted their projects based upon an assumption of prices of tax credits in the 90 cents on the dollar range. In September of 2008, when the credit crunch hit and the buyers of tax credits disappeared, the prices for tax credits plummeted to about 70 cents on the dollar. Those projects became unbuildable,

so the federal government stepped in, took back the credits, and provided those projects with stimulus money instead.

- Mr. Stolar asserts that the DHA's commitment to accommodate existing tenants with an internal subsidy proves the rents are unreasonable. The fact is that we will accommodate the existing tenants because it is the correct and responsible thing to do. The old Moderate Rental financing program (the one Allen O'Neill has now) has no funding, and any future redevelopment will require that new tenants have incomes that are higher than the old financing model. The Commissioners remain committed to our existing residents and will do everything possible to make the transition from the old program to the new program as smooth as possible.
- Mr. Stolar never asked the DHA or Arthur Anderson any questions about the CHFA and DECD application, or about the assumptions that we used.

As long as there continues to be misstatements of facts regarding the AON project, and the DHA in general, the Commissioners will remain committed to correcting false statements and maintain open lines of communication and transparency with the public.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jennifer A. Schwartz". The signature is written in a cursive style and is positioned above a horizontal dashed line.

Jennifer A. Schwartz  
Chairman

cc: Cyndy Ashburne, Vice Chairman  
Joe Warren, Treasurer  
Jan Raymond, Assistant Treasurer  
Kass Bruno, Resident Commissioner