

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Ade Bethune House (Portsmouth)**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of: (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$13,600,000, of which \$2,930,000 will remain as permanent debt; (ii) a Capital Magnet Fund loan equal to \$200,000 (the “CMF Loan”); (iii) a Development of Affordable Housing - 2 loan equal to \$7,021,481 (the “DAH-2 Loan”); (iv) a HOME Investment Partnerships Program loan equal to \$1,000,000 (the “HOME Loan”); and (v) a Housing Trust Fund loan equal to \$1,000,000 (the “HTF Loan”) for Ade Bethune House (hereinafter referred to as the “Development”). Church Community Housing Corporation is the developer (the “Developer” or “CCHC”). The Development received preliminary approval for financing from the Board of Commissioners on May 18, 2023 and March 28, 2024 (“Preliminary Approval”).

Ade Bethune House is a new construction project located at 110 Bristol Ferry Road in Portsmouth that consists of a single building with 54 units of affordable, age-restricted housing and a new Senior Center. The new housing and Senior Center will share amenities. The Developer has proposed 6 one-bedroom units for households with incomes at or below 30% of Area Median Income (“AMI”), and the Developer was previously awarded HPF-ELI funds to provide operating support for these 30% AMI units. The remaining 34 one-bedroom and 14 two-bedroom units are utilizing income averaging and will serve incomes at or below 80% of AMI. The Developer will enter into a 99-year ground lease with the Town of Portsmouth, as Lessor.

The collective capital stack for the Development is anticipated to consist of (i) proceeds from the tax-exempt financing and sale of 4% low-income housing tax credits (“LIHTC”), (ii) the CMF Loan, (iii) the HOME Loan, (iv) DAH-2 Loan, (v) the HTF loan, (vi) General Partner Capital, (vii) a Community Development Block Grant, (viii) a Federal Home Loan Bank Affordable Housing Program (“FHLB-AHP”) Loan, (ix) a deferred developer fee, (x) a RIH Predevelopment Grant, and (xi) a Renewable Energy Fund Grant & Investment Tax Credit.

Since Preliminary Approval, the Developer engaged a new General Contractor and, due to general increases in the construction industry, construction costs are now approximately \$4,300,000 million higher. Softening of LIHTC equity market also lowered their pricing, which contributes to a gap in their development budget. Previously, the Town of Portsmouth was going to purchase the Senior Center for \$1,000,000 and the proceeds were included as a project source; however, the town was unsuccessful in their CDBG application. This has contributed even further to the funding gap. The developer has been able to absorb this reduction with additional FHLB-AHP funds and LIHTC equity in addition to an additional award of \$1,471,481 in DAH-2 funding approved at the March

2024 RIHousing Board of Commissioners meeting.

National Equity Fund (“NEF”) will be the syndicator and is paying \$0.910 per credit. This constitutes a decrease from \$0.920 anticipated at Preliminary Approval. However, the total LIHTC proceeds increased by \$4,749,674 because the property is now located in a Difficult to Develop area, making the project eligible for the 130% basis boost which generates additional LIHTC equity. Webster Bank, which is NEF’s upper-tier LIHTC investor, will provide an initial construction loan in an amount not to exceed \$5,000,000. There will also be a not-to-exceed \$1,000,000 construction loan through BankNewport to satisfy the member participation requirement for the FHLB-AHP funding. These construction loans will be paid off and replaced by RIHousing’s permanent loan when the bonds are issued, which is expected at 50% completion.

This RFA requests firm approval of (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$13,600,000, of which \$2,930,000 will remain as permanent debt; (ii) a CMF Loan equal to \$200,000; (iii) a DAH-2 Loan equal to \$7,021,481; (iv) a HOME Loan equal to \$1,000,000; and (v) a HTF Loan equal to \$1,000,000 for Ade Bethune House, subject to certain conditions as set forth in the attached Resolutions.

**B. ATTACHMENTS**

- A.** Credit Summary
- B.** Resolution

## Attachment A

### Approval Loan Recommendation Summary – Ade Bethune House

Preliminary \_\_\_\_\_

Firm   X  

Date: May 16, 2024

**Project:** A new construction project located in Portsmouth that consists of a single building with 54 units of affordable, age-restricted housing and a new Senior Center.

#### Development Team

	<b>Name</b>	<b>Location</b>	<b>Risk Rating</b>
<b>Sponsor/Developer</b>	Church Community Housing Corporation	Newport, RI	Medium
<b>Mortgagor</b>	Ade Bethune House LP	Newport, RI	Low
<b>Architect</b>	Union Studio Architecture & Community Design	Providence, RI	Low
<b>Legal</b>	Chace, Ruttenberg & Freedman LLP	Providence, RI	Low
<b>Management Agent</b>	Phoenix Property Management, Inc.	Warwick, RI	Medium
<b>General Contractor</b>	Behan Bros., Inc.	Middletown, RI	Low
<b>Consultant</b>	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
<b>Syndicator</b>	National Equity Fund	New York, NY	Low

#### Executive Summary

<b>Property Address</b>	100 Bristol Ferry Road	Portsmouth
<b>Proposed Loan Amount(s) and Terms</b>		
Tax-Exempt Financing	\$13,600,000	
Construction/Bridge Loan	\$10,670,000	6.00%, 24 months
Permanent Loan	\$2,930,000	7.00%, 40 years
CMF Loan	\$200,000	1%, 42 years
DAH-2 Loan	\$7,021,481	0%, 42 years
HOME Loan	\$1,000,000	0%, 42 years
HTF Loan	\$1,000,000	0%, 42 years

Note: Interest rates are subject to change based on market conditions.

**Proposed Sources & Uses:**

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,200,000	59,259	(\$270,000)	\$2,930,000	\$54,259
Capital Magnet Fund	\$200,000	3,704	\$0	\$200,000	\$3,704
DAH-2	\$5,550,000	102,778	\$1,471,481	\$7,021,481	\$130,027
HOME	\$1,000,000	18,519	\$0	\$1,000,000	\$18,519
Community Development Block Grant	\$750,000	13,889	\$0	\$750,000	\$13,889
Housing Trust Fund	\$1,000,000	18,519	\$0	\$1,000,000	\$18,519
FHLB Affordable Housing Program	\$0	0	\$850,000	\$850,000	\$15,741
LIHTC Proceeds	\$6,456,200	119,559	\$4,716,209	\$11,172,409	\$206,896
General Partner Capital	\$0	0	\$100	\$100	\$2
Deferred Development Fee	\$620,268	11,486	(\$150,657)	\$469,611	\$8,697
RIH Predevelopment Grant	\$0	0	\$250,000	\$250,000	\$4,630
Renewable Energy Fund Grant & Investment TC	\$0	0	\$106,248	\$106,248	\$1,968
<b>Total Sources</b>	<b>\$19,776,468</b>	<b>366,231</b>	<b>\$5,973,381</b>	<b>\$25,749,849</b>	<b>\$476,849</b>
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$13,391,184	\$247,985	\$4,329,953	\$17,721,137	\$328,169
Contingency	\$1,004,339	\$18,599	\$324,746	\$1,329,085	\$24,613
Soft Costs	\$1,685,215	\$31,208	\$557,745	\$2,242,960	\$41,536
Financing	\$1,700,023	\$31,482	\$791,453	\$2,491,476	\$46,138
Developer Fee	\$1,520,600	\$28,159	(\$49,732)	\$1,470,868	\$27,238
Operating Reserve	\$401,379	\$7,433	\$6,639	\$408,018	\$7,556
Replacement Reserve Year 1 Deposit	\$17,550	\$325	\$0	\$17,550	\$325
Other Reserves	\$55,178	\$1,022	\$13,577	\$68,755	\$1,273
<b>Total Uses</b>	<b>\$19,775,468</b>	<b>\$366,212</b>	<b>\$5,974,381</b>	<b>\$25,749,849</b>	<b>\$476,849</b>

**Loan to Value Test: -**

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$315,916	5,850	(\$39,069)	\$276,847	\$5,127
Appraisal Cap Rate	6.00%			6.00%	
Valuation	\$5,265,000	97,500	(\$650,887)	\$4,614,113	\$85,447
Loan Principal	\$2,930,000	54,259		\$2,930,000	\$54,259
LTV	55.65%		8%	63.50%	

**Underwriting Metrics:**

Metric	Amount	Comment
Total Development Cost Per Unit	\$476,849	\$467,695 less reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.27	
DCR Yr 15	1.27	
NOI	\$276,847	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	55.65%	
Initial Installment (%) of syndication proceeds	15.7%	
Acquisition Price equal to or less	N/A	99-Year Ground Lease

than Appraised value		
Operating Reserve (Amt and confirm consistency with UW requirements)	\$408,018	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$17,550	\$325 per unit

### Deviations from standard underwriting – Yes

Transaction fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

### Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent	Discount from Market Rent
1	30%	6	\$ 1,158.00	\$ 694.00	167%	46.9%
1	50%	2	\$ 1,158.00	\$ 1,158.00	0%	46.9%
1	60%	26	\$ 1,362.44	\$ 1,389.00	98%	37.5%
1	80% LIHTC	6	\$ 1,625.00	\$ 1,853.00	88%	25.5%
2	50%	3	\$ 1,321.00	\$ 1,390.00	95%	47.2%
2	60%	11	\$ 1,634.19	\$ 1,668.00	98%	34.6%
<b>Total</b>		<b>54</b>				<b>37.5%</b>

**ATTACHMENT B**

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of RIHousing have promise of supplying well-planned, well-designed apartment units, which will provide or preserve housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

**Whereas,** RIHousing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** RIHousing is authorized to issue tax exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

**Whereas,** in May 18, 2023, the RIHousing Board of Commissioners granted preliminary approval of mortgage financing to Church Community Housing Corporation (“Applicant”) listed below to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Bonds</u>	<u>CMF Loan</u>
Ade Bethune House	Church Community Housing Corporation	\$13,600,000	\$200,000

<u>DAH-2 Loan</u>	<u>HOME Loan</u>	<u>HTF Loan</u>
\$7,021,481	\$1,000,000	\$1,000,000

**Whereas,** said bonds shall have a term not to exceed 40 years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary; and

**Whereas,** the RIHousing Board of Commissioners and staff have reviewed the submission of the Applicant for mortgage financing and determined that the Development qualifies for financing under RIHousing’s enabling legislation,

regulations, guidelines and policies.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** that subject to the special conditions listed below, RIHousing hereby declares firm commitment for tax-exempt mortgage financing for Ade Bethune House LP or an affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$13,600,000 for rental housing known as Ade Bethune House located in Portsmouth to be financed in part with tax-exempt bonds.

**Resolved,** that RIHousing hereby declares that this firm commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$13,600,000 in mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. The intent to reimburse the aforementioned bond-funded costs is intended to satisfy the requirements of Section 1.150-2 of the United States Treasury Regulations. This resolution shall take effect immediately upon adoption.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Development of Affordable Housing – 2 loan to Borrower in an amount not to exceed \$7,021,481 for rental housing known as Ade Bethune House located in Portsmouth, RI.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Capital Magnet Fund loan to Borrower in an amount not to exceed \$200,000 for rental housing known as Ade Bethune House located in Portsmouth, RI.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a HOME Investment Partnerships Fund loan to Borrower in an amount not to exceed \$1,000,000 for rental housing known as Ade Bethune House located in Portsmouth, RI.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Housing Trust Fund loan to Borrower in an amount not to exceed \$1,000,000 for rental housing known as Ade Bethune House located in Portsmouth, RI.

**Resolved,** that the foregoing resolutions are subject to the following special conditions:

- Syndication equity from the allocation of low-income housing tax credits in an amount sufficient to achieve project feasibility;

- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Final approval of plans and specifications by RIHousing, as well as related construction contract documentation;
- Final approval from DEM on the revised plans related to the new septic system;
- Final ALTA survey;
- Approval by RIHousing of management documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Execution and delivery by the developer of a Construction Completion Guaranty in form and substance satisfactory to lender and RIHousing;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Closing of a construction loan with RIHousing in an amount sufficient to achieve project feasibility; and
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

**Resolved,** that the Executive Director, the Deputy Executive Director, and Director of Real Estate Development, each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.