

**Request for Action
by
Board of Commissioners**

**Firm Approval of First Mortgage Financing for
23 Central Street (Central Falls)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of: (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage taxable financing in an amount not to exceed \$525,000, (ii) a Housing Production Fund loan in an amount not to exceed \$2,218,575 (the “HPF Loan”), and (iii) an Acquisition and Revitalization Program loan not to exceed \$1,000,000 (the “ARP Loan”) for 23 Central Street (hereinafter referred to as the “Development”). Pawtucket Central Falls Development Corporation is the developer (the “Developer”).

The Development will consist of 12 newly constructed apartments on two blighted parcels in Central Falls. The unit mix includes three units at 30% of area median income (“AMI”), six units at 60% AMI, and three units at 80% AMI. The 30% AMI units will be earmarked for individuals who have aged out of foster care and may be experiencing homelessness. Foster Forward has committed operating subsidies for those three units and will provide supportive services to these residents. The Development is adjacent to 44 Central Street, which is part of a larger low-income housing tax credit development being newly constructed by the Developer.

Since May 2024, the Developer has finalized their plans and specifications, engaged a general contractor, and completed all of the customary due diligence necessary to begin construction. Overall costs have increased by approximately \$290,000. To address the increase, the first mortgage has increased, and the Developer received a RIHousing ARPA Predevelopment grant to cover some soft costs.

The Development has been awarded funds from the Rhode Island Department of Housing Priority Projects Fund in an amount not to exceed \$1,200,000 (the “PPF Loan”), which is conditioned on completion of the capital stack.

This RFA requests firm approval of (i) \$525,000 in taxable first mortgage financing, (ii) an HPF Loan in the amount of \$2,218,575, and (iii) an ARP Loan in the amount of \$1,000,000, subject to certain conditions as set forth in the attached Resolution.

B. ATTACHMENTS

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

Attachment A

Credit Summary

Approval Loan Recommendation Summary

Preliminary _____

Firm x _____

Date: February 20, 2025

Project: New Construction of 12 apartments for households with incomes between 30% and 80% of area median income (“AMI”).

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Pawtucket Central Falls Development Corporation	Pawtucket, RI	Medium
Mortgagor	Pawtucket Central Falls Development Corporation or affiliated entity	Pawtucket, RI	Medium
Architect	Ed Wojcik Architect, Ltd.	Providence, RI	Low
Legal	McGunagle Hentz, PC	Cranston, RI	Low
Management Agent	Housing Opportunities Corporation	Providence, RI	Medium
General Contractor	STAND CORPORATION	Warwick, RI	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
Syndicator	N/A		

Executive Summary

Property Address	23 Central St.	Central Falls, RI
Proposed Loan Amount(s) and Terms		
RIH 1 st Mortgage	\$525,000	7.9%, 30 years
Housing Production Fund	\$2,218,575	0.0%, 30 years
Acquisition and Revitalization Program	\$1,000,000	0.0%, 30 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	\$380,000	31,667	\$145,000	\$525,000	\$43,750
Acquisition Revialization Program (AR)	\$1,000,000	83,333	\$0	\$1,000,000	\$83,333
Housing Production Fund	\$2,218,575	184,881	\$0	\$2,218,575	\$184,881
Priority Projects Fund	\$1,200,000	100,000	\$0	\$1,200,000	\$100,000
ARPA Predevelopment	\$0	0	\$147,000	\$147,000	\$12,250
Total Sources	\$4,798,575	399,881	\$292,000	\$5,090,575	\$424,215
Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$3,565,000	\$297,083	\$85,000	\$3,650,000	\$304,167
Contingency	\$190,006	\$15,834	\$28,994	\$219,000	\$18,250
Acquisition	\$300,000	\$25,000	\$39,537	\$339,537	\$28,295
Soft Costs	\$231,900	\$19,325	\$69,733	\$301,633	\$25,136
Financing	\$40,000	\$3,333	\$38,756	\$78,756	\$6,563
Developer Fee	\$403,213	\$33,601	\$0	\$403,213	\$33,601
Operating Reserve	\$64,556	\$5,380	\$9,713	\$74,269	\$6,189
Replacement Reserve Year 1 Deposit	\$3,900	\$325	\$0	\$3,900	\$325
Other Reserves	\$0	\$0	\$20,268	\$20,268	\$1,689
Total Uses	\$4,798,575	\$399,881	\$292,000	\$5,090,575	\$424,215

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$58,547	4,879	(\$3,951)	\$54,596	\$4,550
Appraisal Cap Rate	5.50%			5.50%	
Valuation	\$1,064,491	88,708	(\$71,843)	\$992,648	\$82,721
Loan Principal	\$525,000	43,750		\$525,000	\$43,750
LTV	49.32%		4%	52.89%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$424,215	
Residential Vacancy Rate	7%	
DCR Yr 1	1.19	Small development, higher DSC in year 1 is appropriate
DCR Yr 15	1.24	
NOI	\$54,596	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	49.3%	
Initial Installment (%) of syndication proceeds	NA	
Acquisition Price equal to or less than Appraised value	Yes	

Operating Reserve (Amt and confirm consistency with UW requirements)	Yes	
Replacement Reserve (Amt and confirm consistency with UW requirements)	Yes	

Deviations from standard underwriting – None

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%	2	\$ 632.00	\$ 576.00	110%	0.0%
1	60%	3	\$ 1,286.00	\$ 1,152.00	112%	0.0%
1	80% Non-LIHTC	1	\$ 1,661.00	\$ -	0%	0.0%
2	30%	1	\$ 759.00	\$ 691.00	110%	0.0%
2	60%	3	\$ 1,527.00	\$ 1,383.00	110%	0.0%
2	80% Non-LIHTC	2	\$ 1,927.00	\$ -	0%	0.0%
Total		12				0.0%

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 provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;

Whereas: Pawtucket Central Falls Development Corporation (the “Applicant”) is requesting firm approval of taxable first mortgage financing for the Development as set forth below:

Applicant	Development	RIHousing 1st Mortgage	HPF Loan	ARP Loan
Pawtucket Central Falls Development Corporation	23 Central Street	\$525,000	\$2,218,575	\$1,000,000

Whereas, the RIHousing Board of Commissioners and staff have reviewed the submission of Pawtucket Central Falls Development Corporation for mortgage financing and determined that the Development qualifies for financing under RIHousing’s enabling legislation, regulations, guidelines and policies; and

Whereas, RIHousing finds that:

(1) there exists a shortage of decent, safe, and sanitary housing at rents or prices which persons and families of low- or moderate-income can afford within the general housing market area to be served by the proposed housing development;

(2) private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe, and sanitary housing in the general housing market area at prices which persons or families of low- and moderate-income can afford or to provide sufficient mortgage financing for residential housing for occupancy by those persons or families;

(3) the housing sponsor or sponsors undertaking the proposed housing development in this state will supply well-planned, well-designed housing for persons or families of low- and moderate-income and that those sponsors are financially responsible;

(4) the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) the proposed housing development will be undertaken, and the housing sponsor or sponsors regulated pursuant to the authority and within the restrictions provided for by the RIHousing enabling act, namely Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that subject to the special conditions listed below, RIHousing hereby declares firm commitment for first mortgage financing for Pawtucket Central Falls Development Corporation or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$525,000 for rental housing to be located in Central Falls, Rhode Island and known as 23 Central Street.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,000,000 in Acquisition and Revitalization Program funding to the Borrower for rental housing to be located in Central Falls, Rhode Island and known as 23 Central Street.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$2,218,575 in Housing Production Fund funding to the Borrower for rental housing to be located in Central Falls, Rhode Island and known as 23 Central Street.

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

- Availability of PPF Funds 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 documentation;
- Approval by RIHousing of all management-related issues, including the marketing and tenant selection plans;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any other lender; and
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

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