

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Ade Bethune House

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in an amount not to exceed \$10,284,000, of which \$3,200,000 will remain as a permanent first mortgage, as well as a HOME Investment Partnerships Program (“HOME”) loan in an amount not to exceed \$1,000,000 and a Housing Trust Fund (“HTF”) loan in an amount not to exceed \$1,000,000 for Ade Bethune House (the “Development”). Church Community Housing Corporation (“CCHC” or the “Developer”) is the developer.

B. DISCUSSION

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 has requested HPF-ELI funds to provide operating support for these 30% AMI units. The remaining 34 one-bedroom and 14 two-bedroom units are proposed for households with incomes at or below 60% of AMI.

The Developer will enter into a 99-year ground lease with the Town of Portsmouth, as Lessor. The building will be set up as a condominium and, at completion, the Town of Portsmouth will purchase the Senior Center for \$1 million, as described in the capital stack below.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2022. Originally submitted as a 9% low-income housing tax credits (“LIHTC”) deal, the proposal did not score high enough to receive a 9% allocation and, therefore, is being recommended as a 4% transaction. The proposed collective capital stack for the Development will consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the sale of tax-exempt 4% LIHTCs, (iii) a Capital Magnet Fund (“CMF”) loan, (iv) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds, (v) the HOME loan contemplated herein, (vi) the HTF loan contemplated herein, and (vii) proceeds from the sale of the Senior Center to the Town of Portsmouth.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$10,284,000 in tax-exempt financing, of which \$3,200,000 will remain as a permanent first mortgage, as well as a HOME loan in an amount not to exceed \$1,000,000 and an HTF loan in an amount not to exceed \$1,000,000 for Ade Bethune House, subject to certain conditions as set forth therein.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Ade Bethune House

Preliminary X

Firm ____

Date: May 18, 2023

Project: Ade Bethune House is the new construction of 54 units of affordable, age-restricted housing and a new Senior Center.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Church Community Housing Corporation	Newport, RI	Low
Mortgagor	TBD		
Architect	Union Studio Architecture & Community Design	Providence, RI	Low
General Contractor	J2 Construct, Inc.	Middletown, RI	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	Phoenix Property Management, Inc.	Warwick, RI	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
Syndicator	National Equity Fund	New York, NY	Low

Executive Summary

	Address	City
Property Address	110 Bristol Ferry Road	Portsmouth, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax-Exempt Loan	\$10,284,000	
Construction/Bridge Loan	\$7,084,000	6.5%/3 Years
Permanent Loan	\$3,200,000	6.75%/40 Years
HOME Investment Partnerships Program Loan	\$1,000,000	0%/40 Years
Housing Trust Fund Loan	\$1,000,000	0%/40 Years

Note: Interest rates are subject to change based on market conditions and deal specifics

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$3,200,000	\$59,259
Capital Magnet Fund	\$200,000	\$3,704
Development of Affordable House DAH 2	\$5,550,000	\$102,778
RIH HOME Loan	\$1,000,000	\$18,519
Housing Trust Fund	\$1,000,000	\$18,519
FHLB AHP or CDBG	\$750,000	\$13,889
LIHTC Proceeds	\$6,456,200	\$119,559
Town Purchase of the Senior Center	\$1,000,000	\$18,519
Deferred Developer Fee	\$620,268	\$11,486
Total Sources	\$19,776,468	\$366,231

Uses	Preliminary	
	Amount	Per Unit
Construction	\$13,391,184	\$247,985
Contingency	\$1,004,339	\$18,599
Soft Costs	\$1,685,215	\$31,208
Financing	\$1,700,023	\$31,482
Developer Fee	\$1,520,600	\$28,159
Operating Reserve	\$401,379	\$7,433
Replacement Reserve Year 1 Deposit	\$18,550	\$344
Other Reserves	\$55,178	\$1,022
Total Uses	\$19,776,468	\$366,231

\$701,831 LIHTC @ \$0.92/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$357,433	Net Reserves
Residential Vacancy Rate	7.00%	
DCR Yr 1	1.16	
DCR Yr 15	1.17	
NOI	\$268,686	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	To Be Determined	
Initial Installment (%) of syndication proceeds	15.3%	
Acquisition Price equal to or less than Appraised value	N/A	acquisition cost is \$0
Operating Reserve (Amt and confirm consistency with UW requirements)	\$401,379	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$18,550	

Deviations from standard underwriting: Yes

The project fails “Test 2” of the Bridge Loan Test. The construction loan is sized at the minimum level required to meet the IRS requirement that 50% of the project be financed using tax-exempt bonds.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of Discount from Market	
					LIHTC Max Rent	Rent
1	30%	6	\$ 1,093.00	\$ 656.00	167%	0.0%
1	50%	2	\$ 1,093.00	\$ 1,093.00	0%	0.0%
1	60%	26	\$ 1,312.00	\$ 1,312.00	0%	0.0%
1	80% LIHTC	6	\$ 1,662.50	\$ 1,750.00	95%	0.0%
2	50%	3	\$ 1,246.40	\$ 1,312.00	95%	0.0%
2	60%	7	\$ 1,496.25	\$ 1,575.00	95%	0.0%
2	60%	4	\$ 1,496.00	\$ 1,575.00	95%	0.0%
Total		54				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 issue tax-exempt bonds for financing qualified housing developments throughout the state;
- 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;
- Whereas,** RIHousing is also authorized to issue tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** Church Community Housing Corporation (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or develop the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Loan</u>	<u>HOME Loan</u>	<u>HTF Loan</u>
Ade Bethune House	Church Community Housing Corporation	\$10,284,000	\$1,000,000	\$1,000,000

- Whereas,** staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies; and
- Whereas,** RIHousing finds that:
- (1) That there exists a shortage of decent, safe, and sanitary housing at rentals 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) That 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) That 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) That the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) That 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, 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 preliminary commitment for tax-exempt mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$10,284,000 for rental housing known as Ade Bethune House located in Portsmouth, Rhode Island to be financed, in part, by tax-exempt bonds.

Resolved, that RIHousing hereby declares that this preliminary 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 \$10,284,000 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 preliminary approval for a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,000,000 for rental housing known as Ade Bethune House located in Portsmouth, Rhode Island.

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

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

- Syndication equity from the allocation of LIHTC credits in amounts sufficient to achieve project feasibility;
- Final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development and that sufficient demand exists for the proposed units;
- Approval of subordinate funds in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- RIHousing approval of the purchase and sales agreement for the completed Senior Center between CCHC and the Town of Portsmouth;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of all management -related documentation, including the marketing and tenant selection plans;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff; and
- Completion of all items required for firm commitment and 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, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.