

**Request for Action  
by  
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits and  
Preliminary Approval of Financing for Oxford Land Family Housing**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for approval of (i) a reservation of up to \$796,297 of 2020 Low-Income Housing Tax Credits (“LIHTC”) and (ii) preliminary approval of a taxable first mortgage for Oxford Land Family Housing (the “Development” or “OLFH”), a 30-unit rental housing development to be located in Providence, Rhode Island. The developer is Preservation of Affordable Housing, Inc. (“POAH” or the “Developer”), a Massachusetts based non-profit developer with a large portfolio of affordable housing developments in Rhode Island, Massachusetts, Washington, D.C. and 9 other states.

The Development will be located on a vacant site adjacent to the existing Oxford Place and Oxford Gardens in Providence, both refinanced and substantially rehabilitated in 2018. The Development will consist of 30 units in a 3-story garden-style newly-constructed residential building. The proposed building will provide a mix of 1 one-bedroom, 21 two-bedroom and 8 three-bedroom units. The project is anticipated to be built to the highest standard of energy efficiency and certify as a passive house. OLFH will enter a long-term ground lease with another POAH controlled entity in order to ensure perpetual affordability. The area scores high in walkability with grocery stores, banks, pharmacies, parks, schools and libraries within a short distance. Public transportation is also readily accessible.

Five of the units will be affordable to tenants at 50% area median income (“AMI”) with 19 units affordable to tenants at or below 60% AMI. The remaining 6 units will be unrestricted market-rate units with rents projected at 100% AMI. A market study submitted with the application supports the proposed rents and absorption rates. A new market study and appraisal will be commissioned by RIHousing for this project to confirm the proposed rents remain consistent with market conditions and underwriting assumptions.

POAH engaged Pezzuco Construction, Inc. (“Pezzuco”) to provide pre-construction pricing services and created a project budget. Union Studios has started the plans, which are approximately 50% complete. When the plans and specs are fully complete, POAH intends to send the project out for competitive bid to a list of qualified bidders, which will include Pezzuco. The project has preliminary plan approval from the City of Providence, but still needs final plan approval, which is administrative.

As part of the underwriting process following preliminary approval, RIHousing staff will work with the Developer to appropriately size the soft cost budget, including reserves and carrying costs to ensure that the minimum amount of tax credits and soft sources are allocated to the Development. Several of the project’s strengths include: (i) a strong developer who recently completed a major renovation of Oxford Place and Oxford Gardens on an adjacent site along with other affordable housing developments throughout the country; (ii) minimal site work

and infrastructure required; (iii) the Development includes the highest level of energy-efficiency through passive house certifications; and (iv) the Development will leverage the management and maintenance staff already present at Oxford Pace and Oxford Gardens.

The site is located in a qualified census tract (“QCT”) and therefore eligible for the 30% basis boost. There is an approved concerted community revitalization plan (“CCRP”) in place, which makes POAH eligible for the boost. The project has already been awarded \$400,000 of Providence HOME Program funds. POAH is proposing to defer \$125,530 of their Developer Fee.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, determined that, based on the strength of the application and the criteria outlined in the State of Rhode Island 2020 Qualified Allocation Plan (“QAP”), OLFH be awarded the highest score for a non-profit organization in the 2020 9% LIHTC Round. It is anticipated that the Development will generate 54 jobs during construction.

Rockland Trust provided a Letter of Interest (“LOI”) to POAH with pricing of approximately \$0.92 for the LIHTC. Rockland Trust has also provided a construction/bridge loan LOI for the project, which would convert to a permanent loan. However, the Developer is open to RIHousing providing the permanent loan and RIHousing will retain the option to provide the permanent financing as long as the loan meets RIHousing’s guidelines. The total development costs for OLFH are approximately \$9,130,000. Proposed permanent sources of funding include: (i) syndication equity from the allocation of LIHTCs; (ii) a permanent first mortgage loan; and (iii); HOME Program funds from the City of Providence, which have already been awarded.

The Request for Action is for approval of (i) a reservation of up to \$796,297 of 2020 LIHTC and (ii) preliminary approval of a taxable first mortgage loan in an amount of up to \$1,278,000.

## B. RECOMMENDATION

The attached resolution is recommended for approval subject to:

- Approval of the development team by RIHousing.
- An appraisal and market study acceptable to RIHousing by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Syndication equity from the sale of LIHTC in an amount sufficient to achieve project feasibility.
- Approval by RIHousing of design and construction plans, specifications and construction documentation.
- Approval of the proposed operating budget for the Development.
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans.

- Confirmation by RIHousing that the final development budget, schedule and unit configuration presented for preliminary approval is consistent with OLFH's December 20, 2019 application submission for 2020 LIHTC.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

**C. ATTACHMENTS**

- A. Development Summary
- B. Resolution
- C. Site Location Map

**Attachment A**  
**Development Summary**

**A. Development Team**

<b>Developer:</b>	Preservation of Affordable Housing, Inc. 40 Court Street Boston, MA 02108
<b>Architect:</b>	Union Studio Architecture & Community Design, Inc. 140 Union Street Providence, RI 02903
<b>General Contractor</b>	TBD
<b>Legal</b>	TBD
<b>Management Agent:</b>	POAH Communities, LLC 40 Court Street Boston, MA 02108

**Development Team Qualifications**

*Developer*

Preservation of Affordable Housing, Inc. (“POAH”) is a not-for-profit corporation with a core mission of preserving at-risk affordable housing, often housing that is at risk of being lost due to market pressures or physical deterioration. Based in Boston, POAH now owns and operates more than 11,000 affordable homes in 11 states and Washington DC. One of POAH’s core principles is that the real estate portfolio must be sustainable and that the organization should be sustained primarily by the portfolio. They have an identify of interest property management company called POAH Communities, LLC.

The organization is familiar with RIHousing requirements and processes and they own/manage approximately 12 communities in Rhode Island.

*Architect*

Union Studio Architecture & Community Design, Inc. (“USA”) is an architectural firm based in Rhode Island. They have designed both new construction and substantial rehabilitation developments for multiple projects in the RIHousing portfolio. Working with POAH, they recently completed the renovation of Oxford Place & Gardens in Providence and are currently working on Beachwinds, a POAH preservation transaction. In addition, they are currently providing architectural services for two new construction projects funded with 9% LIHTC. Their RIHousing portfolio includes Dean Street Studios, Palmer Pointe and Shannock Falls which are both under construction, as well as developments in Providence, Barrington, Tiverton and North Kingstown. USA has experience in working with RIHousing’s development staff and is familiar with its requirements.

## *Management Agent*

POAH Communities, LLC (“POAH Communities”) has specialized in the management of assisted and non-assisted multi-family housing units for the past 25 years. They oversee the leasing and operations of all POAH properties. The mission of POAH Communities is to provide high quality property management and customer service to its residents. Working with their partners in the community, POAH Communities strives to empower residents and help them be successful with job training, healthcare enrollment, credit counseling and more. They are familiar with RIHousing’s compliance requirements for both LIHTC and the Section 8 program. They manage all 12 of POAH’s developments with RIHousing.

## **B. Unit Distribution and Revenue**

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		Discount from
				LIHTC Max Rent	% of LIHTC Max Rent	
1	60%	1	\$ 736.80	\$ 922.00	80%	38.6%
2	50%	4	\$ 737.60	\$ 922.00	80%	53.9%
2	60%	13	\$ 940.95	\$ 1,107.00	85%	41.2%
2	100%	4	\$ 1,328.40	Market Unit	0%	17.0%
3	50%	1	\$ 852.00	\$ 1,065.00	80%	59.4%
3	60%	5	\$ 1,086.30	\$ 1,278.00	85%	48.3%
3	100%	2	\$ 1,533.60	Market Unit	0%	27.0%
<b>Total</b>		<b>30</b>				<b>40.4%</b>

## **C. Finance Summary**

Sources	Preliminary Amount	Preliminary Per Unit
RIH First Mortgage	\$1,277,563	\$42,585
LIHTC Proceeds	\$7,312,752	\$243,758
LIHTC Acquisition Equity	\$12,448	\$415
City of Providence HOME	\$400,000	\$13,333
Deferred Developer Fee	\$125,530	\$4,184
<b>Total Sources</b>	<b>\$9,128,293</b>	<b>\$304,276</b>

Uses	Amount	Per Unit
Construction	\$6,924,101	\$230,803
Contingency	\$346,205	\$11,540
Soft Costs	\$731,573	\$24,386
Financing	\$424,000	\$14,133
Developer Fee	\$564,900	\$18,830
Operating Reserve	\$76,654	\$2,555
Replacement Reserve Year 1 Deposit	\$15,000	\$500
Other Reserves	\$45,860	\$1,529
<b>Total Uses</b>	<b>\$9,128,293</b>	<b>\$304,276</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 housing for low and moderate-income persons or families, the elderly, or others in locations where there is a need for such housing; and
- Whereas,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”); and
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island; and
- Whereas,** staff for RIHousing has determined that the applicant listed below (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code; and
- Whereas,** the Applicant has applied to RIHousing for the reservation of low-income housing tax credits available in calendar year 2020 (the “Tax Credits”), and for construction and/or permanent financing as follows:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTCs</b>	<b>RIHousing 1<sup>st</sup> Mortgage</b>
Preservation of Affordable Housing, Inc.	Oxford Land Family Housing	\$796,297	\$1,278,000

**Whereas,** RIHousing staff has reviewed the submission, inspected the site, and determined that this development may qualify 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 pursuant to the provisions of this chapter 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 up to \$796,297 of allocated 2020 Tax Credits be reserved for the Applicant pursuant to Section 4.3 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”), and that the Executive Director, Deputy Executive Director, and the Director of Development, each acting singly be, and hereby are, authorized and empowered in the name of and on behalf of RIHousing to take any and all actions necessary to cause such reservation to be effective; and further, that any final allocation shall be made at such time as the applicant complies with the requirements of the Act and the RIHousing Regulations.
- Resolved,** that, subject to the special conditions listed below RIHousing hereby approves preliminarily commitment of up to \$1,278,000 for a taxable first mortgage loan to the Applicant or an affiliated entity (the “Borrower”) for rental housing to be located in Providence, Rhode Island and known as Oxford Land Family Housing.
- Resolved,** that, the foregoing resolutions are subject to the following conditions:
- Approval of the development team by RIHousing.
  - An appraisal and market study acceptable to RIHousing by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
  - Syndication equity from the sale of Low-Income Housing Tax Credits in an amount sufficient to achieve project feasibility.
  - Approval by RIHousing of design and construction plans, specifications and construction documentation.
  - Approval of the proposed operating budget for the development.
  - Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans.

- Confirmation by RIHousing that the final development budget, schedule and unit configuration presented for preliminary approval is consistent with OLFH's December 20, 2019 Application submission for 2020 Low-Income Housing Tax Credits.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- 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 the Director of Development, each acting singly, be and hereby are authorized to take all actions they deem necessary or desirable to carry out the forgoing resolutions.

## Attachment C

### SITE LOCUS MAP

#### Oxford Land Family Housing Providence, RI

