

**Request for Action
by the Trustees of the
Affordable Housing Trust Fund**

**Approval of Preservation Loan
Program Fund Financing for Securing the Future/Building the Dream**

A. Project Summary

This Request for Action (“RFA”) is for approval of financing under the Preservation Loan Program Fund (“PLPF”) for Securing the Future/Building the Dream located in Woonsocket, Rhode Island (“STF/BTD” or the “Development”). The PLPF was created to provide a flexible source of capital to be utilized for the preservation of existing affordable housing with priority given to developments previously financed by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”).

B. Summary of Issues

RIHousing’s portfolio includes approximately 13,000 affordable apartments. In addition, more than 1,430 affordable residential homes have been financed under the state’s HOME Investment Partnerships Program. Many of these affordable apartments need improvements. These apartments were constructed and/or rehabilitated in the 1990s and are beyond the initial 15-year tax credit compliance term. Several developments lack adequate reserves to conduct necessary improvements to ensure that residents are housed in a safe and healthy environment. In addition, there are unrestricted apartments in the Rhode Island market that are available for developers to acquire, rehabilitate and deed restrict to ensure long term affordability. Thus, there is a need to upgrade these affordable apartments and homes to meet health and safety standards, make necessary improvements and address physical deterioration due to wear and tear.

The Affordable Housing Trust Fund (the “AHT”) has designated \$16,000,000 for the PLPF. In March 2018, RIHousing issued the Program Guidelines and a Request for Proposals (“RFP”) for the PLPF financing. Applications are being accepted on a rolling basis.

STF/BTD is the refinance of 2 developments. Collectively, the Development is comprised of 65 units of existing affordable housing previously funded with low-income housing tax credits (“LIHTC”) that have completed their initial 15-year compliance periods. As part of this transaction, NeighborWorks Blackstone River Valley (“NWBRV” or the “Developer”) is planning to pay off 2 existing first mortgages and undertake a moderate rehabilitation of the units.

NWBRV is seeking \$1,365,000 in PLPF funds to undertake the rehabilitation and pay soft costs associated with the transaction. In addition to this PLPF loan, NWBRV is simultaneously seeking (i) a permanent loan and (ii) a Capital Magnet Fund (“CMF”) loan from RIHousing. NWBRV is also requesting that RIHousing roll over the existing targeted loans and other soft loans currently encumbering STF/BTD in the approximate amount of \$5,388,000. RIHousing will require that 70% of the surplus cash from operations go toward repayment of the rolled over targeted loans. NWBRV has been awarded \$649,000 in Building Homes Rhode Island (“BHRI”) funds for STF/BTD.

Staff from the Development Division, including the Design and Construction team and Asset Management Department, have reviewed the application for eligibility in accordance with the Program Guidelines and determined that NWBRV's proposal is consistent with the requirements of the PLPF and will help to refinance and stabilize the Development.

C. Recommendation

The attached resolution is recommended for approval subject to:

- Approval and closing of financing from RIHousing and any other lender.
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation.
- Execution and delivery by NWBRV of a Construction Completion Guaranty in form and substance satisfactory to RIHousing.
- Completion of all items required for closing of the PLPF loan in accordance with normal underwriting and processing requirements.

D. Attachments

- A. Development Summary
- B. Resolution

Attachment A

Development Summary

A. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
EFF	50%	5	\$ 597.00	\$ 717.00	83%	35.3%
1	50%	14	\$ 721.36	\$ 768.00	94%	26.3%
1	60%	1	\$ 771.00	\$ 922.00	84%	20.2%
1	60%	1	\$ 823.00	\$ 922.00	89%	13.8%
2	50%	10	\$ 926.80	\$ 922.00	101%	22.8%
2	60%	2	\$ 900.50	\$ 1,107.00	81%	25.4%
3	50%	16	\$ 1,156.31	\$ 1,065.00	109%	29.3%
3	60%	3	\$ 1,062.33	\$ 1,278.00	83%	36.1%
3	60%	3	\$ 1,092.33	\$ 1,278.00	85%	33.9%
3	60%	4	\$ 1,153.75	\$ 1,278.00	90%	29.5%
4	50%	3	\$ 1,198.67	\$ 1,188.00	101%	41.5%
4	60%	1	\$ 1,388.00	\$ 1,426.00	97%	30.3%
4	60%	2	\$ 1,466.00	\$ 1,426.00	103%	25.7%
Total		65				

B. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$350,000	\$5,385	\$0	\$350,000	\$5,385
Preservation Loan Fund Program	\$1,500,000	\$23,077	\$135,000	\$1,365,000	\$21,000
Capital Magnet Fund	\$750,000	\$11,538	\$0	\$750,000	\$11,538
Assumed Debt (Rollover)	\$5,388,403	\$82,899	\$0	\$5,388,403	\$82,899
RI HRC	\$649,000	\$9,985	\$0	\$649,000	\$9,985
Existing Replacment Reserves	\$0	\$0	(\$132,580)	\$132,580	\$2,040
Existing Operating Reserves	\$0	\$0	(\$90,593)	\$90,593	\$1,394
Total Sources	\$8,637,403	\$132,883	(\$141,489)	\$8,778,892	\$135,060

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$2,089,000	\$32,138	(\$111,000)	\$2,200,000	\$33,846
Contingency	\$209,900	\$3,229	\$44,900	\$165,000	\$2,538
Acquisition & Rolled Over Debt	\$5,638,403	\$3,846	\$0	\$5,638,403	\$86,745
Soft Costs	\$144,955	\$2,230	(\$41,672)	\$186,627	\$2,871
Financing	\$20,000	\$83,206	\$0	\$20,000	\$308
Developer Fee	\$92,145	\$1,418	(\$26,105)	\$118,250	\$1,819
Operating Reserve	\$231,000	\$3,554	\$78,500	\$152,500	\$2,346
Revenue Deficit Reserve	\$0	\$0	(\$100,000)	\$100,000	\$1,538
Replacement Reserve Year 1 Deposit	\$135,000	\$2,077	(\$11,000)	\$146,000	\$2,246
Other Reserves	\$77,000	\$1,185	\$24,888	\$52,112	\$802
Total Uses	\$8,637,403	\$132,883	(\$141,489)	\$8,778,892	\$135,060

Attachment B

Resolution of the Trustees of the Affordable Housing Trust Fund

WHEREAS: the Affordable Housing Trust Fund (the “AHT”) was created by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) for the sole purpose of making homeownership to low- and moderate-income residents of the State of Rhode Island more affordable; and

WHEREAS: one of the purposes of the AHT is to assist in the preservation of affordable housing throughout the State of Rhode Island; and

WHEREAS: the AHT has increased its investment portfolio over the last several years through its preservation related activities; and

WHEREAS: the AHT created the Preservation Loan Program Fund and has set aside \$16,000,000 to assist in the preservation of affordable housing.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: that subject to the special conditions listed below, the AHT be, and is hereby authorized, to commit up to \$1,365,000 in funding to NeighborWorks Blackstone River Valley (“NWBRV”) or an affiliated entity to finance the rehabilitation of the multi-family scattered site development known as Securing the Future/Building the Dream located in Woonsocket, Rhode Island.

RESOLVED: that the foregoing resolution is subject to the following conditions:

- Approval and closing of financing from RIHousing and any other lender.
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation.
- Execution and delivery by NWBRV of a Construction Completion Guaranty in form and substance satisfactory to RIHousing.
- Completion of all items required for closing of the PLPF loan in accordance with normal underwriting and processing requirements.

RESOLVED: that the Executive Director, the Deputy Executive Director and the Director of Development, each acting singly, be and hereby is authorized and directed to take any and all actions they deem necessary and appropriate to carry out the forgoing resolution.