

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

**Approval of Preservation Loan Program Fund Financing for
Forest Farm Assisted Living**

A. Project Summary

This Request for Action (“RFA”) is for approval of financing under the Preservation Loan Program Fund (“PLPF”) for Forest Farm Assisted Living located in Middletown, Rhode Island (“FFAL” 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 for developers to acquire, rehabilitate, and deed-restrict market-rate apartments in Rhode Island to ensure long term affordability. Thus, there is a need for funding to upgrade these homes to meet health and safety standards, make necessary improvements, address physical deterioration due to wear and tear, and promote long-term affordability.

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

FFAL currently has 50 one-bedroom assisted living apartments contained in a single building, of which 35 are LIHTC and receive Medicaid Waivers from the State of Rhode Island and the balance are market rate. The developer is Church Community Housing Corporation (“CCHC”). Many of the building systems and interior finishes that were installed in 1999 are at or nearing the end of their effective useful life and need replacement. CCHC is proposing over \$4.5 million in improvements to the property and the planned scope of the rehabilitation includes: replacing the roof, installing solar panels, replacing boilers and hot water tanks with new efficient systems, installing new efficient heat pumps for each unit, replacing the generator, upgrading the sprinkler and fire alarm systems to meet code and improve safety, upgrading the commercial kitchen, decommissioning one market rate unit to expand the kitchen with additional food preparation and storage space, and site improvements.

CCHC is proposing to refinance without undertaking a re-syndication. Assisted living transactions are difficult to re-syndicate, and FFAL is a small transaction making it a challenge to attract an equity partner. CCHC is seeking \$991,170 in PLPF funds to undertake a portion of the rehabilitation and pay soft costs associated with the transaction. CCHC is simultaneously seeking firm approval of (i) a

RIHousing first mortgage, (ii) a HOME Investment Partnerships Program (“HOME Program”) loan, and (iii) a Capital Magnet Fund loan. CCHC has previously received approval for Building Homes RI funds and an Affordable Housing Program grant from the Federal Home Loan Bank of Boston.

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 CCHC’s proposal is consistent with PLPF requirements 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 CCHC 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
1	50%	5	\$ 946	\$ 897	105%	40.9%
1	30%	10	\$ 1,212	\$ 538	225%	24.3%
1	50%	20	\$ 1,212	\$ 897	135%	24.3%
1	80% Non-LIHTC	9	\$ 1,212	\$ -	0%	24.3%
1	80% Non-LIHTC	5	\$ 1,224	\$ -	0%	23.5%
Total		49				

B. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$2,250,000	\$45,918	(\$250,000)	\$2,500,000	\$51,020
Assumed Debt (Rollover)	\$1,019,292	\$20,802	\$74,005	\$945,287	\$19,292
Preservation Loan Fund Program	\$991,170	\$20,228	\$0	\$991,170	\$20,228
Capital Magnet Fund	\$750,000	\$15,306	\$0	\$750,000	\$15,306
Building Homes Rhode Island	\$500,000	\$10,204	\$0	\$500,000	\$10,204
FHLB Affordable Housing Program	\$650,000	\$13,265	\$0	\$650,000	\$13,265
RIH HOME Loan	\$850,000	\$17,347	\$0	\$850,000	\$17,347
General Partner Capital	\$449,267	\$9,169	\$145,483	\$303,784	\$6,200
RI Renewable Energy	\$29,450	\$601	(\$12,610)	\$42,060	\$858
Total Sources	\$7,489,179	\$152,840	(\$43,121)	\$7,532,300	\$153,720

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$4,127,851	\$84,242	(\$117,465)	\$4,245,316	\$86,639
Contingency	\$412,785	\$8,424	(\$11,747)	\$424,532	\$8,664
Acquisition	\$1,728,500	\$35,276	\$1,126,000	\$602,500	\$12,296
Soft Costs	\$590,614	\$12,053	(\$5,299)	\$595,913	\$12,161
Financing	\$47,813	\$976	(\$994,349)	\$1,042,162	\$21,269
Developer Fee	\$225,114	\$4,594	(\$38,174)	\$263,288	\$5,373
Operating Reserve	\$201,283	\$4,108	(\$2,088)	\$203,371	\$4,150
Replacement Reserve Year 1 Deposit	\$98,000	\$2,000	\$0	\$98,000	\$2,000
Other Reserves	\$57,219	\$1,168	\$0	\$57,219	\$1,168
Total Uses	\$7,489,179	\$152,840	(\$43,122)	\$7,532,301	\$153,720

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, acting by and through its Trustees, be and is hereby authorized to commit up to \$991,170 in funding to Forest Farms Assisted Living Limited Partnership (“FFAL”) or an affiliated entity to finance the rehabilitation of the multi-family development known as Forest Farms Assisted Living located in Middletown, 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 CCHC 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, Deputy Executive Director, and Director of Development of RIHousing, each acting singly, be and hereby are authorized and directed to take any and all actions they deem necessary and appropriate to carry out the foregoing resolution.