

**Request for Action
by
Board of Commissioners**

**Firm Approval of Tax-Exempt Financing for
Broad Street Homes (Central Falls)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of: (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$12,500,000, of which \$2,663,000 will remain as permanent debt; (ii) a Development of Affordable Housing - 2 loan in an amount not to exceed \$7,338,069 (the “DAH-2 Loan”); and (iii) a Community Revitalization Program loan in an amount not to exceed \$2,000,000 (the “CRP Loan”) for Broad Street Homes (hereinafter referred to as the “Development”). Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB” or the “Developer”) is the developer. The Development received preliminary approval from the Board of Commissioners on May 18, 2023, and March 28, 2024 (collectively, “Preliminary Approval”).

B. DISCUSSION

ONENB and the City of Central Falls through its Redevelopment Agency (the “City”) have partnered to develop 46 affordable apartments in downtown Central Falls to be known as Broad Street Homes. The proposed development site is made up of three proximate lots along Broad Street adjacent to City Hall. The unit sizes vary from efficiencies to three bedrooms. All units will be affordable to individuals and families with incomes of less than 60% of area median income (“AMI”). Five of the units will be restricted to households with incomes below 30% of AMI, and the Developer has been awarded HPF-ELI funds to provide operating support for these 30% AMI units.

The City utilized the RIHousing Site Acquisition Program (“SAP”) for the acquisition of the three properties, which include a historic former police station and courthouse, a blighted former Dunkin Donuts that was recently demolished by the City, and a municipal parking lot. Originally approved as a 47-unit Development, at the request of the City, the number was reduced to 44 units. Subsequent conversations with the City have resulted in an additional 2 units for a total of 46 units.

Over the past 6 months, the Developer finalized the plans and specifications and put the project out to bid. Total development costs have increased approximately \$1,972,000 primarily due to general construction increases. As a result of the Section 106 review required by the National Historic Preservation Act, the Developer incorporated a \$250,000 allowance to address the requirements of the State Historic Preservation Office for the rehabilitation portion of the Development. The City demolished the former Dunkin Donuts site utilizing an infrastructure grant, and as part of that demolition, uncovered a former foundation and unsuitable soils. In addition, financing and soft costs have also increased. To

address the increased costs, the Developer was able to increase their first mortgage due to the addition of HPF-ELI subsidy and increases in LIHTC maximum rents, as well as generate additional LIHTC equity.

Berkadia Real Estate Advisors, LLC (“BKE”) will be the syndicator and is paying \$0.908 per credit, which constitutes an increase from \$0.895 quoted in March 2024. The investor is Webster Bank.

In total, the permanent capital stack includes (i) the RIHousing permanent tax-exempt loan, (ii) equity from the sale of 4% LIHTC, (iii) the DAH-2 Loan, (iv) the CRP Loan, (v) a federal appropriation, (vi) a Seller Note, and (vii) a deferred developer fee.

This RFA requests firm approval of (i) a RIHousing tax-exempt loan in an amount not to exceed \$12,500,000, of which \$2,663,000 will remain as permanent debt; (ii) a DAH-2 loan in an amount not to exceed \$7,338,069; and (iii) a CRP loan in an amount not to exceed \$2,000,000 for Broad Street Homes, subject to certain conditions as set forth in the attached Resolutions.

C. ATTACHMENTS

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

Attachment A

Approval Loan Recommendation Summary - Broad Street Homes

Preliminary _____

Firm X

Date: December 19, 2024

Project: New production of 46 affordable apartments in Central Falls comprised of 1 efficiency, 20 one-bedroom, 18 two-bedroom, and 7 three-bedroom units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	Medium
Mortgagor	Broad Street Homes, L.P.	Providence, RI	Low
Architect	DBVW Architects, Inc.	Providence, RI	Low
Legal	McGunagle Hentz, PC	Cranston, RI	Low
Management Agent	Peabody Properties, Inc.	Providence, RI	Low
General Contractor	Pezzucio Construction, Inc.	Cranston, RI	Low
Syndicator	Berkadia Real Estate Advisors, LLC	Philadelphia, PA	Low

Executive Summary

Property Address	511, 524, 542 Broad Street	Central Falls
Proposed Loan Amount(s) and Terms		
Tax-Exempt Financing	\$12,500,000	
Construction/Bridge Loan	\$9,837,000	5.00%/24 months
Permanent Loan	\$2,663,000	6.52%/ 40 years
DAH-2 Loan	\$7,338,069	0% / 40 years
CRP Loan	\$2,000,000	0% / 40 years

Note: Interest rates are subject to change based on market conditions.

Proposed Sources & Uses:

Sources	2024 Consolidated Round (March 2024)		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$1,186,491	25,793	\$1,476,509	\$2,663,000	\$57,891
Community Revitalization	\$2,000,000	43,478	\$0	\$2,000,000	\$43,478
DAH - 2	\$5,800,000	126,087	\$0	\$5,800,000	\$126,087
Federal Appropriations	\$2,000,000	43,478	\$0	\$2,000,000	\$43,478
DAH - 2 (Second Award)	\$1,538,069	33,436	\$0	\$1,538,069	\$33,436
LIHTC Proceeds	\$10,738,300	233,441	\$1,172,628	\$11,910,928	\$258,933
Infrastructure Grant	\$300,000	6,522	(\$300,000)	\$0	\$0
Deferred Development Fee	\$439,569	9,556	(\$142,178)	\$297,391	\$6,465
Seller Note	\$335,000	7,283	(\$235,000)	\$100,000	\$2,174
Total Sources	\$24,337,429	529,075	\$1,971,959	\$26,309,388	\$571,943
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$17,279,093	\$375,632	\$1,050,908	\$18,330,001	\$398,478
Contingency	\$1,727,909	\$37,563	(\$131,929)	\$1,595,980	\$34,695
Acquisition	\$335,000	\$7,283	(\$170,000)	\$165,000	\$3,587
Soft Costs	\$2,050,031	\$44,566	\$478,135	\$2,528,166	\$54,960
Financing	\$1,343,571	\$29,208	\$684,651	\$2,028,222	\$44,092
Developer Fee	\$1,240,990	\$26,978	\$0	\$1,240,990	\$26,978
Operating Reserve	\$252,000	\$5,478	\$55,538	\$307,538	\$6,686
Lease Up Reserve	\$20,000	\$435	\$0	\$20,000	\$435
Replacement Reserve Year 1 Deposit	\$50,000	\$1,087	\$0	\$50,000	\$1,087
Other Reserves	\$38,835	\$844	\$4,656	\$43,491	\$945
Total Uses	\$24,337,429	\$529,075	\$1,971,959	\$26,309,388	\$571,943

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$217,995	4,739	\$3,285	\$221,280	\$4,810
Appraisal Cap Rate	6.25%			6.25%	
Valuation	\$3,430,000	74,565	\$110,486	\$3,540,486	\$76,967
Loan Principal	\$2,663,000	57,891		\$2,663,000	\$57,891
LTV	77.64%		-2%	75.22%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$571,943	\$562,790 less reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.16	
DCR Yr 15	1.16	
NOI	\$221,280	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	77.64%	
Initial Installment (%) of syndication proceeds	20%	
Acquisition Price equal to or less than Appraised value	\$165,000	Yes
Operating Reserve (Amt and confirm consistency with UW)	\$307,538	Equal to six months OpEx & Debt Service

Firm Approval of Financing for Broad Street Homes
(Central Falls)

December 19, 2024

requirements)		
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$50,000	\$1,087 per unit

Deviations from standard underwriting – Yes

Transaction fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

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
EFF	30%	1	\$ 590.00	\$ 590.00	0%	66.4%
1	30%	2	\$ 632.00	\$ 632.00	0%	68.8%
1	60%	13	\$ 1,265.00	\$ 1,265.00	0%	28.9%
2	60%	1	\$ 1,518.00	\$ 1,518.00	0%	24.4%
1	30%	1	\$ 544.00	\$ 632.00	86%	74.3%
1	60%	3	\$ 1,265.00	\$ 1,265.00	0%	28.9%
2	30%	1	\$ 759.00	\$ 759.00	0%	67.2%
2	60%	15	\$ 1,518.00	\$ 1,518.00	0%	24.4%
3	60%	7	\$ 1,753.00	\$ 1,753.00	0%	28.8%
1	60%	1	\$ 1,265.00	\$ 1,265.00	0%	0.0%
2	60%	1	\$ 1,518.00	\$ 1,518.00	0%	0.0%
Total		46				30.4%

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, 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 authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;
- Whereas,** Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

Applicant	Development	<u>Tax Exempt Loan</u>	<u>CRP</u>	<u>DAH-2</u>
Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Broad Street Homes	\$12,500,000	\$2,000,000	\$7,338,069

- 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:
- (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 pursuant to the provisions of this chapter 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 RIHousing hereby grants firm approval of tax-exempt mortgage financing in an amount not to exceed \$12,500,000 to Applicant or an affiliated entity of the Applicant (the “Borrower”) for rental housing known as Broad Street Homes in Central Falls to be financed, in part, by tax-exempt bonds.

Resolved, that RIHousing hereby declares that this firm 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 \$12,500,000 in mortgage funds for new construction and rehabilitation of the Development, 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 approves a Development of Affordable Housing – 2 loan to the Borrower in an amount not to exceed \$7,338,069 for rental housing to be located in Central Falls and known as Broad Street Homes.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Community Revitalization Program loan to the Borrower in an amount not to exceed \$2,000,000 for the rental housing to be located in Central Falls and known as Broad Street Homes.

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

- Syndication equity from the allocation of low-income housing tax credits in an amount sufficient to achieve project feasibility;
- Final plan approval from the City of Central Falls for 46 units;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval by RIHousing of all management-related documentation, including the marketing and tenant selection plans;
- Receipt by RIHousing of evidence that all involved entities, including the Management Agent, are in good standing with the Rhode Island Secretary of State;
- Applicant's appointment of a permanent Executive Director;
- Final approval of plans and specifications by RIHousing, as well as related construction contract documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Execution and delivery by the developer of a Construction Completion Guaranty in form and substance satisfactory to lender and RIHousing;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Closing of a construction loan with Webster Bank in an amount sufficient to achieve project feasibility;
- FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage; 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, are hereby empowered and directed to take any and all actions they deem necessary to carry out the

foregoing resolutions.