

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Broad Street Homes

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 \$11,000,000 and a taxable permanent loan in an amount not to exceed \$825,000 for Broad Street Homes (the “Development”). Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB” or the “Developer”) is the developer.

B. DISCUSSION

ONENB and the City of Central Falls, through its Redevelopment Agency (the “City”), have partnered to develop 47 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 in Central Falls adjacent to City Hall. A development agreement between ONENB and the City has been executed which designates ONENB as the exclusive developer for these properties and details the collaborative relationship. The unit sizes will vary from efficiencies to three bedrooms. Six of the units will be restricted to households with incomes 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 City utilized the RIHousing Site Acquisition Program (“SAP”) for the acquisition of the three properties. The properties include a historic former police station and courthouse, a blighted former Dunkin Donuts that will be demolished, and a municipal parking lot.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2022. The collective capital stack for the Development will consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the tax-exempt financing and the sale of 4% low-income housing tax credits (“LIHTC”), (iii) Community Revitalization Program (“CRP”) funds, (iv) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds, (v) Federal Appropriations funds, and (vi) a deferred developer fee.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$11,000,000 in tax-exempt financing and a taxable permanent loan in an amount not to exceed \$825,000 for Broad Street Homes, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Broad Street Homes

Preliminary X

Firm _____

Date: May 18, 2023

Project: New construction of 47 affordable apartments in Central Falls comprised of 1 efficiency, 19 one-bedroom, 21 two-bedroom, and 6 three-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	Low
Mortgagor	TBD		
Architect	DBVW Architects, Inc.	Providence, RI	Low
General Contractor	TBD		
Legal	McGunagle Hentz, PC	Cranston, RI	Low
Management Agent	Peabody Properties, Inc.	Providence, RI	Low
Syndicator	National Equity Fund, Inc.	New York, NY	Low

Executive Summary

	Address	City
Property Address	511, 524, 542 Broad Street	Central Falls
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax-Exempt Construction Loan	\$11,000,000	6.50% / 36 months
Taxable Permanent Loan	\$825,000	7.00% / 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	\$825,000	\$17,553
Community Revitalization Program	\$2,000,000	\$42,553
DAH-2	\$5,800,000	\$123,404
Federal Appropriations	\$2,000,000	\$42,553
LIHTC Proceeds	\$9,326,145	\$198,429
Deferred Developer Fee	\$189,569	\$4,033
Total Sources	\$20,140,714	\$428,526

Uses	Preliminary	
	Amount	Per Unit
Construction	\$15,004,000	\$319,234
Contingency	\$1,244,900	\$26,487
Acquisition	\$110,000	\$2,340
Soft Costs	\$1,615,840	\$34,380
Financing	\$871,322	\$18,539
Developer Fee	\$990,990	\$21,085
Operating Reserve	\$249,242	\$5,303
Replacement Reserve Year 1 Deposit	\$15,275	\$325
Other Reserves	\$39,145	\$833
Total Uses	\$20,140,714	\$428,526

\$1,002,912 LIHTC @ \$.930/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$428,526	\$419,725 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.70	
DCR Yr 15	1.15	
NOI	\$104,814	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	20%	
Acquisition Price equal to or less than Appraised value	TBD*	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$249,242	Equal to six months OpEx & Debt Service

Replacement Reserve (Amt and confirm consistency with UW requirements)	\$15,275	\$325 per unit
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*As part of the due diligence, the Developer and City should explore selling the existing building to the new partnership to generate additional LIHTC equity.

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 LIHTC Max Rent	Discount from Market Rent
EFF	30%	1	\$ 544.00	\$ 507.00	107%	0.0%
1	30%	2	\$ 653.00	\$ 544.00	120%	0.0%
1	60%	13	\$ 1,066.24	\$ 1,088.00	98%	0.0%
2	60%	1	\$ 1,279.88	\$ 1,306.00	98%	0.0%
1	30%	1	\$ 544.00	\$ 544.00	0%	0.0%
1	60%	3	\$ 1,100.00	\$ 1,088.00	101%	0.0%
2	30%	2	\$ 653.00	\$ 653.00	0%	0.0%
2	60%	18	\$ 1,279.88	\$ 1,306.00	98%	0.0%
3	60%	6	\$ 1,478.82	\$ 1,509.00	98%	0.0%
Total		47				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 36 months 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,** Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Loan</u>	<u>Permanent Loan</u>
Broad Street Homes	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	\$11,000,000	\$825,000

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 \$11,000,000 for rental housing known as Broad Street Homes located in Central Falls, 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 \$11,000,000 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 permanent taxable loan to the Borrower in an amount not to exceed \$825,000 for rental housing known as Broad Street Homes located in Central Falls, 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;
- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the Development and that sufficient demand exists for the proposed units;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- 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.