

**Request for Action  
by  
Board of Commissioners**

**Preliminary Approval of Financing for  
Center City Apartments 4% (East Providence)**

**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 \$11,600,000, with \$2,300,000 remaining as permanent first mortgage financing, for Center City Apartments 4% in East Providence (the “Development”). Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (the “Developer”) is the developer.

**B. DISCUSSION**

The Developer has partnered with Foster Forward, Family Service of Rhode Island, and Crossroads Rhode Island, a partnership known as the Taunton Avenue Collaborative (the “Collaborative”). The Collaborative intends to develop a three-acre blighted site located at 330, 350 and 354 Taunton Avenue in East Providence into 144 new affordable apartments in two new construction buildings and an existing building which would require extensive renovations. The development which is subject of this proposal will result in 49 new units at 354 Taunton Avenue. This Development will be developed simultaneously with the 95 units being developed at 330 and 350 Taunton Avenue utilizing a 9% allocation, making the entire project a hybrid transaction.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2023. The Development is anticipated to use income averaging and will be fully affordable to households with incomes at or below 80% of area median income (“AMI”). Of the 49 units, 21 will be affordable to households with incomes at or below 30% of AMI, seven will be affordable to households with incomes at or below 60% of AMI, and 21 will be affordable to households with incomes at or below 80% of AMI. Bedroom sizes range from one to three-bedroom. There are no operating subsidies attached to the 30% AMI units.

In addition to the resources being recommended in this RFA, the capital stack is anticipated to include ERA2 Development Financing funding, to be allocated to the Development by means of a subaward agreement between RIHousing and the State, a Building Homes Rhode Island (“BHRI”) award from the Rhode Island Housing Resources Commission (the “HRC”), a Community Development Block Grant award from the City of East Providence, Housing Production Funds from the HRC, a number of private grants, a deferred developer fee, and a federal earmark.

By this RFA, staff recommends the attached resolutions providing preliminary approval of a tax-exempt construction loan in an amount not to exceed \$11,600,000, with \$2,300,000 remaining as permanent first mortgage financing, for Center City Apartments 4%, subject to

certain conditions as set forth herein.

**C. ATTACHMENTS**

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

**Attachment A**

**Credit Summary**

**Approval Loan Recommendation Summary – Center City Apartments 4%**

Preliminary   X  

Firm \_\_\_\_\_

Date: May 16, 2024

**Project:** New construction of 49 affordable apartments in East Providence comprised of 23 one-bedroom, 18 two-bedroom, and 8 three-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location</b>	<b>Risk Rating</b>
<b>Sponsor/Developer</b>	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	Low
<b>Mortgagor</b>	TBD		
<b>Architect</b>	Union Studio Architecture and Community Design, Inc.	Providence, RI	Low
<b>Legal</b>	Klein Hornig LLP	Boston, MA	Low
<b>Management Agent</b>	Peabody Properties, Inc.	Braintree, MA	Low
<b>General Contractor</b>	TBD		
<b>Syndicator</b>	TBD		

**Executive Summary**

<b>Property Address</b>	354 Taunton Ave.	East Providence
<b>Proposed Loan Amount(s) and Terms</b>		
Tax-Exempt Financing	\$11,600,000	
Construction/Bridge Loan	\$9,300,000	6.0%, 24 months
Permanent Loan	\$2,300,000	6.85%, 40 years

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

## Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$2,300,000	46,939
Building Homes Rhode Island	\$1,000,000	20,408
Housing Production Fund	\$6,700,000	136,735
ERA2	\$1,410,000	28,776
Community Development Block Grant	\$77,000	1,571
Federal Earmark	\$2,000,000	40,816
LIHTC Proceeds	\$7,363,285	150,271
Deferred Development Fee	\$400,000	8,163
RIFoundation & Housing Ministries NE & LISC Grant	\$82,500	1,684
<b>Total Sources</b>	<b>\$21,332,785</b>	<b>435,363</b>
Uses	Amount	Per Unit
Construction	\$16,380,000	\$334,286
Contingency	\$673,049	\$13,736
Acquisition	\$500,000	\$10,204
Soft Costs	\$1,228,657	\$25,075
Financing	\$1,149,295	\$23,455
Developer Fee	\$1,037,190	\$21,167
Operating Reserve	\$318,070	\$6,491
Lease Up Reserve	\$6,800	\$139
Replacement Reserve Year 1 Deposit	\$15,925	\$325
Other Reserves	\$23,800	\$486
<b>Total Uses</b>	<b>\$21,332,786</b>	<b>\$435,363</b>

\$800,197 LIHTC @ \$.92

## Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$435,363	\$427,922 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.19	
DCR Yr 15	1.15	
NOI	\$201,209	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	18%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW)	\$318,070	Equal to six months OpEx & Debt Service

requirements)		
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$15,925	\$325 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
1	30%	8	\$ 575.00	\$ 576.00	100%	50.9%
1	30%	7	\$ 576.00	\$ 576.00	0%	59.1%
2	30%	6	\$ 691.00	\$ 691.00	0%	59.7%
1	60%	6	\$ 1,152.00	\$ 1,152.00	0%	1.6%
2	60%	1	\$ 1,383.00	\$ 1,383.00	0%	1.8%
1	80% LIHTC	2	\$ 1,412.00	\$ 1,537.00	92%	0.0%
2	80% LIHTC	11	\$ 1,697.00	\$ 1,844.00	92%	0.0%
3	80% LIHTC	8	\$ 1,952.00	\$ 2,130.00	92%	31.5%
<b>Total</b>		<b>49</b>				<b>29.4%</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 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 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,** 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 Bonds</u>
Center City Apartments 4%	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	\$11,600,000

**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 \$11,600,000 for rental housing known as Center City Apartments 4% located in East Providence, Rhode Island to be financed, in part, by tax-exempt bonds.

**Resolved,** that RIHousing hereby declares that this preliminary commitment of financing for the Applicant 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 \$11,600,000 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 the foregoing resolutions are subject to the following conditions:

- Syndication equity from the sale of low-income housing tax credits in an amount sufficient to achieve project feasibility;
- The simultaneous closing of Center City Apartments 9% and 4%;
- Availability of subordinate financing, including funds from the Rhode Island Department of Housing, in amounts sufficient to achieve project

feasibility or the availability of alternative equity satisfactory to RIHousing;

- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for firm approval are consistent with Borrower's application submission for 2024 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan;
- Completion of all items required for closing in accordance with normal underwriting and processing requirements; and
- Closing by December 31, 2024, and complete expenditure of RIHousing financing by December 31, 2026.

**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.