

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Financing for Central Street Development**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,126,600 of 2023/2024 9% Low-Income Housing Tax Credits (“LIHTC”) and firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) permanent taxable financing in an amount not to exceed \$3,300,000, as well as a Community Revitalization Program (“CRP”) award of \$2,000,000, a Development of Affordable Housing 2 Program (“DAH-2”) loan of \$1,460,000, a Capital Magnet Fund (“CMF”) loan of \$250,000, a Middle Income Program (“MI”) loan of \$1,510,000, and rollover debt of 1,350,000 for Central Street Development (hereinafter referred to as “Central Street” or the “Development”). The developer is Pawtucket Central Falls Development Corporation (“PCFDC” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

Central Street is a mixed-use, mixed-income project on 12 scattered sites in both Pawtucket and Central Falls. There are 30 units of new construction and 32 units of rehabilitation. There are 2 commercial units proposed that will serve the residents of the project.

- The new construction will contain 30 units, of which 21 will be LIHTC units and 9 will be non-LIHTC units with rents at the 80% AMI level. The new LIHTC units will serve households earning 30% AMI to 60% AMI.
- The preservation component will consist of 32 units, of which 22 units will be LIHTC and 10 will be non-LIHTC with rents at the 80% AMI level. The LIHTC units will serve households earning 30% AMI to 60% AMI.
- The two community service facility spaces will house a Homeownership Center and a “Tech Hub” for resident and community use. The Homeownership Center will target BIPOC families in Pawtucket and Central Falls for financial fitness, homebuyer education and affordable homeownership opportunities. The Tech Hub space, operated by New England Institute of Technology, will connect local residents to high-speed internet, as well as provide technical job training skills.

Throughout the Development, fourteen 30% units will be subsidized for youths aging out of foster care and supportive services will be provided through a partnership with Foster Forward. Foster Forward will ensure that all fourteen tenants have operating subsidies in the form of rental vouchers, and supportive services will include case management, resume building, college prep/education counseling, employment counseling and customized life coaching.

Since Preliminary Approval, the Developer has secured a LIHTC equity commitment from the National Equity Fund, Inc. (“NEF”) and a construction loan commitment from TD Bank,

N.A. (“TD Bank”). The overall total development costs have increased by \$1.44 million, most of which can be attributed to increased acquisition costs related to the existing debt on the preservation units. The increased acquisition cost has been largely mitigated by the addition of rollover debt as a source. As part of the acquisition, several first mortgages will be repaid. The remaining existing debt is largely comprised of HOME loans and preservation loans from the Affordable Housing Trust that are less than 15 years old. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing’s requirement for rollover of existing debt:

- Current on first mortgage or in compliance with forbearance agreement;
- No outstanding monitoring findings and no history of significant monitoring findings;
- Demonstrated, responsible long-term ownership and management of the property;
- An equity pay-in schedule satisfactory to RIHousing;
- Maximization of amortizing debt able to be supported by the property; and
- Borrower-provided guarantees to cover any deficit shortfalls.

B. RECOMMENDATION

This RFA requests firm approval of the reservation of up to \$1,126,600 of 2023/2024 LIHTC, as well as firm approval of a first mortgage loan in an amount not to exceed \$3,300,000, a Community Revitalization Program (“CRP”) award of \$2,000,000, a Development of Affordable Housing 2 Program (“DAH-2”) loan of \$1,460,000, a Capital Magnet Fund (“CMF”) loan of \$250,000, a Middle Income Program (“MI”) loan of \$1,510,000, and rollover debt of \$1,350,000, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Central Street Development

Preliminary: _____

Firm: X

Date: January 11, 2024

Project: New construction of 30 affordable housing units, 2 commercial spaces and the rehabilitation of 32 existing units in both Central Falls and Pawtucket.

Development Team

| | Name | Location (city/state) | Risk Rating (low/med/high) |
|---------------------------|---|----------------------------------|---------------------------------------|
| Sponsor/Developer | Pawtucket Central Falls Development Corporation | Pawtucket, RI | Med |
| Mortgagor | Central Development, L.P. | Pawtucket, RI | Med |
| Architect | Ed Wojcik Architect, Ltd. | Providence, RI | Low |
| General Contractor | STAND Corporation | Warwick, RI | Low |
| Legal | Chace Ruttenberg & Freedman, LLP | Providence, RI | Low |
| Management Agent | Barken Management Company, Inc. | Newton, MA | Med |
| Consultant | Barbara Sokoloff Associates, Inc. | Providence, RI | Low |
| Syndicator | National Equity Fund | New York, NY | Low |

Executive Summary

| | Address | City |
|---|-----------------|-----------------------------|
| Property Address | Scattered Sites | Pawtucket and Central Falls |
| Proposed Loan Amount(s) and Terms | | |
| | Amount | Interest rate/Term |
| RI Housing Permanent 1 st Mortgage | \$3,300,000 | 7.5%/30 Years |
| Community Revitalization Program (CRP) | \$2,000,000 | Grant |
| DAH-2 | \$1,460,000 | 0%/30 Years |
| Capital Magnet Fund | \$250,000 | 1%/30 Years |
| Middle Income Program | \$1,510,000 | 3%/30 Years |

Note: Interest rates are subject to change based on market conditions and deal specifics

Proposed Sources & Uses:

| Sources | Preliminary | | Delta | Firm | |
|----------------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | Amount | Per Unit | | Amount | Per Unit |
| RIH First Mortgage | \$3,200,000 | 51,613 | \$100,000 | \$3,300,000 | \$53,226 |
| Community Revitalization | \$2,000,000 | 32,258 | \$0 | \$2,000,000 | \$32,258 |
| DAH-2 | \$1,460,000 | 23,548 | \$0 | \$1,460,000 | \$23,548 |
| Capital Magnet Fund | \$250,000 | 4,032 | \$0 | \$250,000 | \$4,032 |
| Middle Income Program | \$1,510,000 | 24,355 | \$0 | \$1,510,000 | \$24,355 |
| Rollover Debt | \$0 | 0 | \$1,350,000 | \$1,350,000 | \$21,774 |
| LIHTC Proceeds | \$10,363,684 | 167,156 | (\$112,649) | \$10,251,035 | \$165,339 |
| HOME | \$775,601 | 12,510 | \$62,224 | \$837,825 | \$13,513 |
| FHLB Affordable Housing Program | \$650,000 | 10,484 | \$0 | \$650,000 | \$10,484 |
| Sponsor Loan | \$0 | 0 | \$110,000 | \$110,000 | \$1,774 |
| Deferred Development Fee | \$85,690 | 1,382 | (\$68,690) | \$17,000 | \$274 |
| Total Sources | \$20,294,975 | 327,338 | \$1,440,885 | \$21,735,860 | \$350,578 |
| Uses | Amount | Per Unit | Delta | Amount | Per Unit |
| Construction | \$13,560,000 | \$218,710 | \$359,812 | \$13,919,812 | \$224,513 |
| Contingency | \$1,097,000 | \$17,694 | (\$26,469) | \$1,070,531 | \$17,267 |
| Acquisition | \$1,006,720 | \$16,237 | \$1,233,280 | \$2,240,000 | \$36,129 |
| Soft Costs | \$1,757,302 | \$28,344 | (\$114,104) | \$1,643,198 | \$26,503 |
| Financing | \$1,115,330 | \$17,989 | (\$6,375) | \$1,108,955 | \$17,886 |
| Developer Fee | \$1,216,652 | \$19,623 | (\$9,454) | \$1,207,198 | \$19,471 |
| Operating Reserve | \$398,337 | \$6,425 | \$4,195 | \$402,532 | \$6,492 |
| Replacement Reserve Year 1 Depos | \$73,750 | \$1,190 | \$0 | \$73,750 | \$1,190 |
| Other Reserves | \$69,883 | \$1,127 | \$0 | \$69,883 | \$1,127 |
| Total Uses | \$20,294,974 | \$327,338 | \$1,440,886 | \$21,735,860 | \$350,578 |

\$1,126,600 LIHTC @ \$.91/credit

Loan to Value Test:

| | Appraisal | Per Unit | Variance | Current UW | Per Unit |
|----------------------|-------------|----------|---------------|-------------|----------|
| NET OPERATING INCOME | \$397,045 | 6,404 | (\$77,065) | \$319,980 | \$5,161 |
| Appraisal Cap Rate | 6.50% | | | 6.50% | |
| Valuation | \$6,110,000 | 98,548 | (\$1,187,229) | \$4,922,771 | \$79,400 |
| Loan Principal | \$3,300,000 | 53,226 | | \$3,300,000 | \$53,226 |
| LTV | 54.01% | | 13% | 67.04% | |

Underwriting Metrics:

| Metric | Amount | Comment |
|---------------------------------|-----------|------------------|
| Total Development Cost Per Unit | \$341,769 | TDC net reserves |
| Residential Vacancy Rate | 7% | |
| DCR Yr 1 | 1.17 | |
| DCR Yr 15 | 1.26 | |
| NOI | \$316,540 | |
| Income Trending | 2% | |
| Expense Trending | 3% | |

| | | |
|--|-------------|---------------------------------|
| Loan to Value | 54.01% | Per appraisal |
| Initial Installment (%) of syndication proceeds | \$2,427,266 | 23.7% |
| Acquisition Price equal to or less than Appraised value | Yes | |
| Operating Reserve (Amt and confirm consistency with UW requirements) | \$402,532 | Consistent with UW requirements |
| Replacement Reserve (Amt and confirm consistency with UW requirements) | \$73,750 | |

Deviations from standard underwriting – None

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% | 3 | \$ 1,026.00 | \$ 576.00 | 178% | 0.0% |
| 1 | 50% | 5 | \$ 906.00 | \$ 960.00 | 94% | 0.0% |
| 2 | 50% | 8 | \$ 1,088.00 | \$ 1,152.00 | 94% | 0.0% |
| 2 | 80% Non-LIHTC | 4 | \$ 1,743.00 | \$ - | 0% | 0.0% |
| 3 | 30% | 1 | \$ 1,525.00 | \$ 798.00 | 191% | 0.0% |
| 3 | 50% | 2 | \$ 1,257.00 | \$ 1,331.00 | 94% | 0.0% |
| 3 | 60% | 2 | \$ 1,509.00 | \$ 1,597.00 | 94% | 0.0% |
| 3 | 80% Non-LIHTC | 5 | \$ 2,013.00 | \$ - | 0% | 0.0% |
| 1 | 30% | 2 | \$ 1,026.00 | \$ 576.00 | 178% | 0.0% |
| 1 | 50% | 4 | \$ 906.00 | \$ 960.00 | 94% | 0.0% |
| 1 | 80% Non-LIHTC | 1 | \$ 1,452.00 | \$ - | 0% | 0.0% |
| 2 | 30% | 4 | \$ 1,234.00 | \$ 691.00 | 179% | 0.0% |
| 2 | 50% | 2 | \$ 1,088.00 | \$ 1,152.00 | 94% | 0.0% |
| 2 | 60% | 1 | \$ 1,306.00 | \$ 1,383.00 | 94% | 0.0% |
| 2 | 80% Non-LIHTC | 2 | \$ 1,743.00 | \$ - | 0% | 0.0% |
| 3 | 30% | 4 | \$ 1,525.00 | \$ 798.00 | 191% | 0.0% |
| 3 | 50% | 2 | \$ 1,257.00 | \$ 1,331.00 | 94% | 0.0% |
| 3 | 60% | 1 | \$ 1,509.00 | \$ 1,597.00 | 94% | 0.0% |
| 3 | 80% Non-LIHTC | 6 | \$ 2,013.00 | \$ - | 0% | 0.0% |
| 4 | 50% | 1 | \$ 1,402.00 | \$ 1,485.00 | 94% | 0.0% |
| 4 | 60% | 1 | \$ 1,683.00 | \$ 1,782.00 | 94% | 0.0% |
| 4 | 80% Non-LIHTC | 1 | \$ 2,245.00 | \$ - | 0% | 0.0% |
| Total | | 62 | | | | 0.0% |

Property Addresses

| New Construction Sites | City |
|-------------------------------|---------------|
| 44 Central Street | Central Falls |
| 38 Japonica Street | Pawtucket |
| | |
| Preservation Sites | |
| 442 High Street | Central Falls |
| 196 Sayles Street | Pawtucket |
| 10 Walker Street | Pawtucket |
| 590 Lonsdale Ave | Central Falls |
| 1065 Dexter Street | Central Falls |
| 1055 Dexter Street | Central Falls |
| 1035 Lonsdale Ave | Central Falls |
| 32 Cherry Street | Pawtucket |
| 112 Liberty Street | Central Falls |
| 116 Liberty Street | Central Falls |

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,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”);
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island;
- Whereas,** staff for RIHousing has determined that Pawtucket Central Falls Development Corporation (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** in May 2023, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2023/2024 (“LIHTC”), as well as preliminary approval of permanent financing;
- Whereas,** since preliminary approval, the request for permanent financing from the Applicant listed below has increased to the following:

| Applicant | Development | 9% LIHTC | RIHousing 1st Mortgage |
|---|--------------------|-----------------|--|
| Pawtucket Central Falls Development Corporation | Central Street | \$1,126,600 | \$3,300,000 |

| DAH-2 | Capital Magnet Fund | Middle Income Program | Community Revitalization Program |
|--------------|----------------------------|------------------------------|---|
| \$1,460,000 | \$250,000 | \$1,510,000 | \$2,000,000 |

Whereas, the RIHousing Board of Commissioners and staff have reviewed the submission of the Applicant for mortgage financing and determined that the Development qualifies for financing under RIHousing’s enabling legislation, regulations, guidelines and policies; and

Whereas, RIHousing finds that:

(1) there exists a shortage of decent, safe, and sanitary housing at rents 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) 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) 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) the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) 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, namely Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that up to \$1,126,600 of allocated 2023 and/or 2024 LIHTC be reserved for the Applicant or an affiliated entity (the “Borrower”) pursuant to Section 4.4 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”), and 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 necessary to cause such reservation to be effective; and further, that any final allocation shall be made at such time as the Borrower complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$3,300,000 for a taxable first mortgage loan to the Borrower for rental housing to be located in Pawtucket and Central Falls, Rhode Island and known as Central Street Development.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Development of Affordable Housing 2 Program loan to the Borrower in an amount not to exceed \$1,460,000 for rental housing to be located in Pawtucket and Central Falls, Rhode Island and known as Central Street Development.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Capital Magnet Fund loan to the Borrower in an amount not to exceed \$250,000 for the rental housing to be located in Pawtucket and Central Falls, Rhode Island and known as Central Street Development.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Middle Income Program loan to the Borrower in an amount not to exceed \$1,510,000 for the rental housing to be located in Pawtucket and Central Falls, Rhode Island and known as Central Street Development.

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

Resolved, that the foregoing resolutions are subject to the following special conditions:

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Availability of subordinate financing 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 RIHousing, in its sole discretion, of a Memorandum of Understanding with Foster Forward for the provision of operating subsidies and supportive services for 14 units;
- Approval by RIHousing of the lease with New England Institute of Technology;
- Availability of construction financing from TD Bank or another lender in an amount sufficient to achieve project feasibility;

- 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; 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.