

**Request for Action
by
Board of Commissioners**

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

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of a reservation of 2023 and/or 2024 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,126,600, as well as preliminary approval of a Rhode Island Housing and Mortgage Financing (“RIHousing”) taxable construction loan not to exceed \$11,000,000, of which \$3,200,000 will remain as a permanent loan, for Central Street Development (“Central Street” or the “Development”). The developer is Pawtucket Central Falls Development Corporation (“PCFDC” or the “Developer”).

The Development is a mixed-use, mixed-income project on 12 scattered sites in Pawtucket and Central Falls. 30 units of new construction and 32 rehabilitation units have been proposed. In addition, there are two proposed commercial units that will serve the residents of the Development. More specifically:

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

In the overall Development, 14 units restricted for households earning at or below 30% of AMI 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 14 tenants have operating subsidies in the form of rental vouchers. Supportive services will include case management, resumé building, college prep/education counseling, employment counseling, and customized life coaching.

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 is anticipated to consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the sale of 9% LIHTC, (iii) a Community

Revitalization Program (“CRP”) grant, (iv) a Capital Magnet Fund (“CMF”) loan, (v) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds, and (vi) a Middle Income Program loan.

The Funding Committee, which is comprised of senior RIHousing staff and a member of the RIHousing Board of Commissioners, awarded Central Street the highest score in the 2023 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2023 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2023 and/or 2024 9% LIHTC in an amount not to exceed \$1,126,600, as well as preliminary approval of a taxable construction loan in an amount not to exceed \$11,000,000, of which \$3,200,000 will remain as a permanent loan, for Central Street, 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: X

Firm ____

Date: May 18, 2023

Project: New construction of 30 affordable housing units and two commercial spaces as well as 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	TBD		
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	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence RI	Low
Syndicator	National Equity Fund	New York, NY	Low

Executive Summary

	Address	City
Property Addresses – see below table	Scattered Sites	Pawtucket and Central Falls
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Construction/Bridge Loan	\$11,000,000	6.5%/3 Years
Permanent 1 st Mortgage	\$3,200,000	7.5%/30 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	\$3,200,000	\$51,613
CRP	\$2,000,000	\$32,258
DAH 2	\$1,460,000	\$23,548
Capital Magnet Fund	\$250,000	\$4,032
Middle Income Program	\$1,510,000	\$24,355
LIHTC Proceeds	\$10,363,684	\$167,156
Pawtucket HOME	\$775,601	\$12,510
Deferred Developer Fee	\$85,690	\$1,382
FHLB AHP	\$650,000	\$10,484
Total Sources	\$20,294,975	\$327,338

Uses	Preliminary	
	Amount	Per Unit
Construction	\$13,560,000	\$218,710
Contingency	\$1,097,000	\$17,694
Acquisition	\$1,006,720	\$16,237
Soft Costs	\$1,757,302	\$28,344
Financing	\$1,115,330	\$17,989
Developer Fee	\$1,216,652	\$19,623
Operating Reserve	\$398,337	\$6,425
Replacement Reserve Year 1 Deposit	\$73,750	\$1,190
Other Reserves	\$69,883	\$1,127
Total Uses	\$20,294,975	\$327,338

\$1,126,600 LIHTC @ \$.92/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$295,635 \$318,532	Residential net reserves TDC net reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.19	
DCR Yr 15	1.28	
NOI	\$319,980	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	25%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$398,337	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	Gross Rent as a			Discount from Market Rent	
				LIHTC Max Rent	% of LIHTC Max Rent			
1	30%	3	\$ 1,026.00	\$ 544.00	189%	0.0%	New Construction	
1	50%	5	\$ 906.00	\$ 906.00	0%	0.0%	New Construction	
1	60%	0	\$ -	\$ 1,088.00	0%	0.0%	New Construction	
1	80% Non-LIHTC	0	\$ -	\$ -	0%	0.0%	New Construction	
2	30%	0	\$ -	\$ 653.00	0%	0.0%	New Construction	
2	50%	8	\$ 1,088.00	\$ 1,088.00	0%	0.0%	New Construction	
2	60%	0	\$ -	\$ 1,306.00	0%	0.0%	New Construction	
2	80% Non-LIHTC	4	\$ 1,743.00	\$ -	0%	0.0%	New Construction	
3	30%	1	\$ 1,525.00	\$ 754.00	202%	0.0%	New Construction	
3	50%	2	\$ 1,257.00	\$ 1,257.00	0%	0.0%	New Construction	
3	60%	2	\$ 1,509.00	\$ 1,509.00	0%	0.0%	New Construction	
3	80% Non-LIHTC	5	\$ 2,013.00	\$ -	0%	0.0%	New Construction	
1	30%	2	\$ 1,026.00	\$ 544.00	189%	0.0%	Rehabilitation	
1	50%	4	\$ 906.00	\$ 906.00	0%	0.0%	Rehabilitation	
1	60%	0	\$ -	\$ 1,088.00	0%	0.0%	Rehabilitation	
1	80% Non-LIHTC	1	\$ 1,452.00	\$ -	0%	0.0%	Rehabilitation	
2	30%	4	\$ 1,234.00	\$ 653.00	189%	0.0%	Rehabilitation	
2	50%	2	\$ 1,088.00	\$ 1,088.00	0%	0.0%	Rehabilitation	
2	60%	1	\$ 1,306.00	\$ 1,306.00	0%	0.0%	Rehabilitation	
2	80% Non-LIHTC	2	\$ 1,743.00	\$ -	0%	0.0%	Rehabilitation	
3	30%	4	\$ 1,525.00	\$ 754.00	202%	0.0%	Rehabilitation	
3	50%	2	\$ 1,257.00	\$ 1,257.00	0%	0.0%	Rehabilitation	
3	60%	1	\$ 1,509.00	\$ 1,509.00	0%	0.0%	Rehabilitation	
3	80% Non-LIHTC	6	\$ 2,013.00	\$ -	0%	0.0%	Rehabilitation	
4	30%	0	\$ -	\$ 841.00	0%	0.0%	Rehabilitation	
4	50%	1	\$ 1,402.00	\$ 1,402.00	0%	0.0%	Rehabilitation	
4	60%	1	\$ 1,683.00	\$ 1,683.00	0%	0.0%	Rehabilitation	
4	80% Non-LIHTC	1	\$ 2,245.00	\$ -	0%	0.0%	Rehabilitation	
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, the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2023 and/or 2024, as well as a taxable construction loan, as follows:

Applicant	Development	9% LIHTC	Taxable Loan
Pawtucket Central Falls Development Corporation	Central Street Development	\$1,126,600	\$11,000,000

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 of the Applicant (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 applicant complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a preliminary commitment of a taxable construction loan in an amount not to exceed \$11,000,000, of which \$3,200,000 will remain as permanent debt, to the Borrower for rental housing known as Central Street Development to be located in Pawtucket and Central Falls, Rhode Island.

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

- Final appraisals and market studies 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;
- 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;
- Approval from the Cities of Pawtucket and Central Falls verifying real

- estate tax assessment at no more than 8% of gross potential income;
- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any lender;
 - Approval by RIHousing of design and construction plans, specifications, and construction documentation;
 - Approval of the proposed operating budget for the development;
 - Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
 - Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for approval are consistent with Borrower's application submission for 2023 and/or 2024 LIHTC;
 - Recordation of a RIHousing Declaration of Land Use Restrictive Covenant 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.