

**Request for Action
by
Board of Commissioners**

Firm Approval of Second Mortgage Financing for DeAngelis Manor I

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for the firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable second mortgage financing in an amount not to exceed \$1,500,000.00 for DeAngelis Manor I (“DeAngelis Manor” or the “Development”). 825 Housing L.P. is the borrower (the “Borrower”), an affiliate of Sacred Heart Housing Corporation, the original non-profit sponsor of the Development.

B. DISCUSSION

This firm approval for a second mortgage will support immediate critical repairs to the elevator and roof of the Development, the cost of which exceeds the balance in the replacement reserves. DeAngelis Manor was initially developed in 1978 and was most recently refinanced by RIHousing in 2001. The 96 units are all located in one high-rise building for elderly and disabled households. All units are subject to a Section 8 Housing Assistance Payment (“HAP”) contract. The current HAP contract was renewed in 2008 for 20 years.

The property is currently carrying approximately \$1,635,414.00 in debt, consisting of an RIHousing first mortgage with a principal balance of \$1,480,808.00 and an RIHousing amortizing second mortgage totaling \$154,606.00. The first mortgage will remain, but the existing second mortgage will be paid off as part of this proposed transaction. The Borrower and its board of directors are considering a full refinance sometime in the future.

This RFA requests firm approval of up to \$1,500,000.00 in taxable second mortgage financing subject to certain conditions as set forth in the attached Resolution. The anticipated loan amount is \$1,300,000.00. The difference between the authorized and anticipated actual loan amounts is meant to accommodate potential cost escalations for the proposed scope of work.

B. ATTACHMENTS

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

Attachment A

Approval Loan Recommendation Summary – DeAngelis Manor I

Preliminary _____

Firm X

Date: December 8, 2021

Project: Rehabilitation for 96 affordable apartments in West Warwick comprised of 87 one-bedroom, and 9 two-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	825 Housing L.P.	West Warwick, RI	Low
Mortgagor	825 Housing L.P.	West Warwick, RI	Low
Architect	N/A		
General Contractor	N/A		
Legal	TBD		
Management Agent	RHM Management Company, LLC	Providence, RI	Medium

Executive Summary

	Address	City
Property Address	825 Wakefield Street	West Warwick, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
RIH Taxable – 2 nd Mortgage	Up-to \$1,500,000	5%, 30 Years

Note: The anticipated loan amount is \$1,300,000. However, we are seeking approval of an amount up to \$1,500,000 to account for potential cost escalations for the proposed scope of work.

Proposed Sources & Uses:

Sources	Firm	
	Amount	Per Unit
RIH Second Mortgage	\$1,300,000	\$13,542
Total Sources	\$1,300,000	\$13,542
Uses	Amount	Per Unit
Construction	\$920,000	\$9,583
Contingency	\$92,000	\$958
Soft Costs(including 2nd loan payoff)	\$262,000	\$2,729
Financing	\$26,000	\$271
Total Uses	\$1,300,000	\$13,542

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$13,542	
Residential Vacancy Rate	5%	
DCR Yr 1	1.55	Combined 1 st & 2nd
DCR Yr 15	5.28	
NOI	\$441,553	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	32%	
Initial Installment (%) of syndication proceeds	N/A	
Acquisition Price equal to or less than Appraised value	N/A	
Operating Reserve (Amt and confirm consistency with UW requirements)	N/A	
Replacement Reserve (Amt and confirm consistency with UW requirements)	N/A	

Deviations from standard underwriting – No

Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent (HAP)
1	50%	79	\$ 1,234.00
1	50%	8	\$ 1,234.00
2	50%	8	\$ 1,464.00
2	50%	1	\$ 1,464.00
Total		96	

Note: Unit types broken out by square footage.

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 provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;

Whereas: said loan 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;

Applicant	Development	RIHousing 2nd Mortgage
825 Housing L.P.	DeAngelis Manor I	Up to \$1,500,000

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 subject to the special conditions listed below, RIHousing hereby declares firm commitment of second mortgage financing for 825 Housing L.P. (the “Borrower”) in an amount not to exceed \$1,500,000.00 for rental housing known as DeAngelis Manor I located in West Warwick, Rhode Island.

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

- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the existing first mortgage loan and the new second mortgage don’t collectively exceed 90% of the as-stabilized value of the property;
- Final approval by RIHousing of construction plans, specifications, and supporting documentation;
- Execution and delivery by the Developer of a construction completion guaranty in form and substance satisfactory to RIHousing; 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 the Director of Development, each acting singly, be and hereby are empowered and directed to take any and all actions they deem necessary or desirable to carry out the foregoing resolutions.