

**Request for Action  
by  
Board of Commissioners**

**Preliminary Approval of Financing for  
Factory and Main Street Apartments**

**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 \$4,000,000.00 and a taxable permanent loan not to exceed \$300,000.00 for Factory and Main Street Apartments (“FM” or the “Development”). Valley Affordable Housing Corp. (“VAH” or the “Developer”) is the developer.

**B. DISCUSSION**

This preliminary approval will support the acquisition and rehabilitation of three existing portfolios, combining them into a single low-income housing tax credit (“LIHTC”) project. The 75 units are located in 18 buildings in scattered sites across a tight geographic area. The units and buildings are in average condition. Fifteen of the buildings were built in 1870 and three of the buildings were built in 2003.

VAH will undertake a moderate rehabilitation of the Development with both exterior and interior improvements. The scope of work for the renovation includes restoration of all deteriorated wood, metal, masonry, and concrete items. Other items will include an improved dumpster enclosure, addition of gutters and downspouts, and privacy fencing. Thirty of the units will receive new kitchen cabinets, and all bathrooms will have subfloors replaced and tile flooring installed.

The Developer will complete the acquisition and rehabilitation of the Development using the proceeds from this tax-exempt financing and the sale of LIHTCs, the taxable permanent loan, a preservation loan, a sponsor loan, and a seller loan. Michel Associates, LTD (“Michel”) will be the syndicator purchasing the 4% LIHTCs at \$0.905 per credit.

There is approximately \$2,936,000.00 of existing debt on these properties comprised of first mortgages with both RIHousing and other lenders, RIHousing Targeted Loans, and State of Rhode Island Housing Resources Commission loans. The first mortgages will be paid off at closing but the subordinate debt will be assumed by the new borrower entity. 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.

Staff recommends for approval the attached resolutions authorizing up to \$4,000,000.00 in tax-exempt financing and a taxable permanent loan not to exceed \$300,000.00 for Factory and Main Street Apartments, subject to the conditions set forth therein.

**C. ATTACHMENTS**

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

**Attachment A**

**Credit Summary**

**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 taxable loans at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** the applicant listed below (“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>	<u>Taxable Permanent Mortgage</u>
Factory and Main Street Apartments	Valley Affordable Housing Corp.	\$4,000,000.00	\$300,000.00

- Whereas,** staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies;
- 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;

(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 in an amount not to exceed \$4,000,000.00 for rental housing known as Factory and Main Street Apartments located in Cumberland, 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 up to \$4,000,000.00 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. This resolution shall take effect immediately upon adoption;

**Resolved:** that subject to the special conditions listed below, RIHousing hereby declares preliminary commitment for taxable permanent financing for the Applicant in an amount not to exceed \$300,000.00 for rental housing known as Factory and Main Street Apartments located in Cumberland, Rhode Island:

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

- Syndication proceeds from the sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market

oriented, and the first mortgage loan does not exceed 90% of the as stabilized value of the property;

- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Execution and delivery by the Applicant of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of management documentation;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable 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 Director of Development, each acting singly, are hereby authorized to take any and all actions they deem necessary to carry out the foregoing resolutions.