

Approval Loan Recommendation Summary – Factory and Main Street Apartments

Preliminary X

Firm _____

Date: October 13, 2021

Project: Rehabilitation of 75 affordable apartments in Cumberland comprised of 16 one-bedroom, 25 two-bedroom, 27 two-bedroom, and 7 four-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Valley Affordable Housing Corp.	Cumberland, RI	Low
Mortgagor	Valley Affordable Housing Corp.	Cumberland, RI	Low
Architect	O’Hearne Associates Architects	Harrisville, RI	Low
General Contractor	Nationwide Construction	Woonsocket, RI	Low
Legal (LIHTC)	Chace Rutenberg Freedman	Providence, RI	Low
Management Agent	Pinnacle Property Management	Cumberland, RI	Low
Consultant	Barbara Sokoloff Associates	Providence, RI	Low
Syndicator	Michel Associates, LTD	Quincy, MA	Medium

Executive Summary

	Address	City
Property Address	Scattered Sites	Cumberland, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan Construction Loan	\$4,000,000	3%, 24 Months
Permanent Loan	\$300,000	4.25%, 40 Years
Preservation Loan	\$1,500,000	4%, 40 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	\$300,000	\$4,000
Assumed Debt (Rollover)	\$2,633,530	\$35,114
Preservation Revitalization Deferred	\$1,500,000	\$20,000
Sponsor Loan	\$506,590	\$6,755
Seller Loan	\$275,710	\$3,676
Seller Take Back Loan	\$415,989	\$5,547
LIHTC Proceeds	\$2,287,489	\$30,500
Total Sources	\$7,919,308	\$105,591
Uses	Amount	Per Unit
Construction	\$2,041,863	\$27,225
Contingency	\$204,186	\$2,722
Acquisition	\$3,825,000	\$51,000
Soft Costs	\$497,667	\$6,636
Financing	\$300,279	\$4,004
Developer Fee	\$494,615	\$6,595
Operating Reserve	\$312,060	\$4,161
Replacement Reserve Year 1 Deposit	\$192,000	\$2,560
Other Reserves	\$51,638	\$689
Total Uses	\$7,919,308	\$105,591

\$2,287,489 LIHTC @ \$.905/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$105,591	
Residential Vacancy Rate	7%	Actual vacancy less than 3%
DCR Yr 1	5.11	
DCR Yr 15	1.27	DCR goes negative in year 16
NOI – year 1	\$91,704	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal commissioned
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	Waiting on final “as-is” appraisal

Operating Reserve (Amt and confirm consistency with UW requirements)	\$312,060	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$192,000	\$2,560 per unit

Deviations from standard underwriting – Yes

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	50%	3	\$ 456.31	\$ 811.00	56%	0.0%
1	60%	3	\$ 809.97	\$ 973.00	83%	0.0%
1	60%	10	\$ 737.84	\$ 973.00	76%	0.0%
2	50%	3	\$ 472.31	\$ 973.00	49%	0.0%
2	60%	11	\$ 964.46	\$ 1,168.00	83%	0.0%
2	60%	11	\$ 1,013.34	\$ 1,168.00	87%	0.0%
3	50%	1	\$ 1,067.64	\$ 1,125.00	95%	0.0%
3	60%	8	\$ 1,236.89	\$ 1,350.00	92%	0.0%
3	60%	18	\$ 1,238.64	\$ 1,350.00	92%	0.0%
4	60%	3	\$ 1,444.97	\$ 1,506.00	96%	0.0%
4	60%	4	\$ 1,280.89	\$ 1,506.00	85%	0.0%
Total		75				0.0%

Current rents are below the maximum allowed under existing restrictions. Borrower intends to implement 2 rent increases prior to construction completion and conversion to permanent loan.

Location of Scattered Sites

Street	Town, State	# of Units
22-24 Main St	Cumberland, RI	4
26-28 Main St	Cumberland, RI	4
34-36 Main St	Cumberland, RI	4
25-27 Main St	Cumberland, RI	4
41-43 Main St	Cumberland, RI	4
45-47 Main St	Cumberland, RI	4
49-51 Main St	Cumberland, RI	4
53-55 Main St	Cumberland, RI	4
5-7 Main Street	Cumberland, RI	2
29-31 Main Street	Cumberland, RI	4
7 Factory Street	Cumberland, RI	6
9 Factory Street	Cumberland, RI	8
11-13 Factory Street	Cumberland, RI	12
44 Main Street	Cumberland, RI	Vacant Land
14-16 Factory & 5 Factory	Cumberland, RI	3
30-32 Main Street	Cumberland, RI	4
33-35 Main Street	Cumberland, RI	4