

Request for Action
by
Board of Commissioners
Firm Approval of Financing for
Forest Farm Assisted Living

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of financing for (i) a taxable first mortgage in the amount of \$2,500,000, (ii) a loan from the Capital Magnet Fund (“CMF”) in the amount of \$750,000, and (iii) a HOME Investment Partnerships Program loan (“HOME Program”) in the amount of \$850,000 for Forest Farm Assisted Living Limited Partnership (“FFAL” or the “Development”). Church Community Housing Corporation (“CCHC” or the “Developer”) is the developer of FFAL and proposing this refinancing to undertake a rehabilitation of the property.

B. DISCUSSION

FFAL is a licensed assisted living facility located in Middletown, Rhode Island originally constructed and financed by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) in 1999 using Low-Income Housing Tax Credits (“LIHTCs”) and other financing. The property currently has 50 one-bedroom assisted living apartments contained in a single building of which 35 are LIHTC units and receive Medicaid waivers from the State of Rhode Island (the “State” or “Rhode Island”). The project reached the end of its initial compliance period in 2014 and the equity investor limited partner, National Equity Fund, exited the partnership in 2015.

In addition to the assisted living apartments, the building includes a commercial kitchen, dining room, library, and other common activity rooms typical for assisted living facilities to serve the needs of the residents. The building is attached to the Royal Middletown Nursing Center (formerly known as Forest Farm Health Care Center) (“Royal”). FFAL and Royal have a contractual relationship in which an affiliate of Royal provides meals and assisted living services to the residents of FFAL. FFAL has engaged Phoenix Property Management as the property manager.

Many of the building systems and interior finishes that were installed in 1999 are at or nearing the end of their effective useful life and need replacement. CCHC is proposing over \$4,500,000 in improvements to the property and the planned scope of the rehabilitation includes replacing the roof, installing solar panels, replacing the generator, and making site improvements. Interior work includes replacing boilers and hot water tanks; installing energy efficient heat pumps for each unit for improved heating and cooling; and upgrading the sprinkler and fire alarm systems to meet current code requirements and improve life safety. In addition, one market rate unit will be decommissioned in order to upgrade the commercial kitchen to allow for expanded kitchen operations with space for food preparation and storage.

FFAL’s operations have been inconsistent over the past 20 years. Much of the challenge is due to inconsistencies with the State’s Medicaid waivers. While the State did set aside 151

Medicaid waivers for three assisted living facilities financed by RIHousing, the reimbursement rate was stagnant for more than 10 years even though costs, many mandated by the Rhode Island Department of Health, increased annually. In 2018, the reimbursement rate increased from \$43/day to \$69/day helping to stabilize operations. In September 2020, FFAL was awarded 30 project-based vouchers which significantly increased the revenue generated at the property. This increased revenue supports the proposed debt and ensures more stabilized operations going forward.

CCHC is proposing to refinance without undertaking a re-syndication given that assisted living transactions like FFAL are not attractive to syndicators. Proposed sources include: (i) a RIHousing taxable first mortgage insured under the FHA Risk Sharing Program, (ii) a Preservation Loan Fund Program loan from the Affordable Housing Trust, (iii) a CMF Loan, (iv) a Building Homes Rhode Island (“BHRI”) loan from the State of Rhode Island Housing Resources Commission, (v) a grant from the Federal Home Loan Bank of Boston Affordable Housing Program (“AHP”), (vi) a HOME Loan, (vii) general partner capital in the form of existing reserves, (viii) the rollover of existing RIHousing debt, and (ix) a Renewable Energy Fund grant from Rhode Island Commerce Corporation. The BHRI loan and AHP subsidy have been secured.

As part of the approval process for rollover of existing debt, staff has determined that FFAL meets RIHousing’s requirements. Broadly, the requirements include:

- 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;
- Plan to maximize the amortizing debt the property can support; and
- Borrower and/or key principals provide guarantees to cover any construction deficit shortfalls.

CCHC also intends to transfer the limited partnership interest in Forest Farms Assisted Living Limited Partnership (the “Borrower”), from CCHC to Mumford Housing Corporation, an affiliated entity.

This RFA seeks firm approval of a RIHousing first mortgage in the amount of \$2,500,000, a CMF loan in the amount of \$750,000, a HOME Program loan in the amount of \$850,000 and the transfer of the limited partnership interest from CCHC to Mumford Housing Corporation.

C. RECOMMENDATION

The attached resolution for firm approval of financing for FFAL is recommended for approval subject to:

- Approval of a Preservation Loan Fund loan from the Affordable Housing Trust in an amount sufficient to achieve project feasibility.
- FHA Risk-Sharing approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan.
- Final approval by RIHousing of construction plans, specifications, and supporting

construction documentation.

- Execution and delivery by the Developer of a construction completion guaranty in form and substance satisfactory to RIHousing.
- Approval by RIHousing of an amended assisted living services contract with Royal at Home RI, LLC (service provider affiliate of Royal).
- Approval by RIHousing of management documentation.
- Completion of all items required for commitment and closing in accordance with normal underwriting and processing requirements.

D. ATTACHMENTS

- A.** Development Summary
- B.** Resolutions
- C.** Site Location Maps

Attachment A
Development Summary

A. Development Team

- 1. Sponsor:** Church Community Housing Corporation
50 Washington Square
Newport, RI 02840

- 2. Mortgagor:** Forest Farm Assisted Living Limited Partnership
191 Forest Avenue
Middletown, RI 02842

- 3. Architect:** Northeast Collaborative Architects, LLC
650 Ten Rod Road, Unit 4
North Kingstown, RI 02852

- 4. General Contractor:** J2Construct, Inc.
55 John Clark Road
Middletown, RI 02842

- 5. Legal:** Moore Virgadamno & Lynch, Ltd.
97 John Clarke Road
Middletown, RI 02842

- 6. Management Agent:** Phoenix Property Management, Inc.
250 Centreville Road, Suite E-11
Warwick, RI 02886

Development Team Qualifications

Sponsor/Mortgagor

Church Community Housing Corporation (“CCHC”) is a not-for-profit corporation with a core mission of providing safe, decent, and affordable housing. Based in Newport, CCHC was founded in 1969. Since then, they have created over 800 units of housing, approximately 700 multifamily and 100 homes, for first time buyers. CCHC serves low- to moderate-income residents and works almost exclusively in Newport County. Christian Belden is the Executive Director. The former long-time Executive Director, Steve Ostiguy, is now serving in the role of asset manager on a part-time basis and is leading this project on behalf of CCHC. In addition, the CCHC staff includes a property manager for the 50+ rental units managed directly by CCHC, several program managers and property maintenance personnel, and a homebuyer trainer

Architect

Northeast Collaborative Architects, LLC (“NCA”) has been working for over 30 years to develop innovative structural and environmental strategies that deliver excellent solutions. Their work spans new designs, restoration, and adaptive reuse projects. NCA has worked with CCHC for 10 years, and recently developed the plans for Harbor House in Newport, Apple Creek Apartments in Tiverton, and Anthony House in Tiverton. The principal architects at NCA are Synfoni Bailey-Green, Andrea T. Baranyk, Sean Donadio, and John D. Scheib.

General Contractor

J2Contract, Inc. (“J2”) is a full-service Rhode Island general contracting firm that was founded in 2018. Its principal, Jeff Lipshires, has over 30 years’ experience in commercial, residential, municipal, and industrial infrastructure projects. Included among projects which Mr. Lipshires has worked on prior to the founding of J2 are the Hammett Wharf Hotel in Newport, RI, a dormitory rehabilitation project at Roger Williams University in Bristol, RI, and St. Clare Home, a residential nursing home and assisted living center in Newport, RI. J2 worked closely with CCHC throughout the design development process and provided valuable preconstruction services including cost containment suggestions in a rising construction cost environment.

Attorney

Moore, Virgadamo, & Lynch, Ltd (“MVL Law”) is a general practice law firm that has been in Newport county for more than 90 years. The firm has a variety of practice areas including real estate law, business and commercial law, estate planning, and family law. Jeremiah Lynch III specializes in real estate law and is representing CCHC for this transaction. MVL Law has assisted CCHC for 20 years including the Harbor House refinancing, Apple Creek Apartments, Anthony House and with several low-income housing transactions involving CCHC’s land trust properties.

Management Agent

CCHC utilizes Phoenix Property Management, Inc. (“Phoenix”) to manage their projects. Phoenix has been in the property management business for 25 years. While they manage a limited number of market rate units, they specialize in the management of affordable housing. Phoenix has over 60 employees and manages 32 projects in eastern Rhode Island

B. 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	50%	5	\$ 926	\$ 926	0%	43.9%
1	30%	10	\$ 1,212	\$ 538	225%	24.3%
1	50%	20	\$ 1,212	\$ 897	135%	24.3%
1	80% LIHTC	9	\$ 1,212	\$ 1,436	84%	24.3%
1	80% Non-LIHTC	5	\$ 1,224	\$ -	0%	23.5%
Total		49				

C. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$2,250,000	\$45,918	\$250,000	\$2,500,000	\$51,020
Assumed Debt (Rollover)	\$1,019,292	\$20,802	(\$74,005)	\$945,287	\$19,292
Preservation Loan Fund Program	\$991,170	\$20,228	\$0	\$991,170	\$20,228
Capital Magnet Fund	\$750,000	\$15,306	\$0	\$750,000	\$15,306
Building Homes Rhode Island	\$500,000	\$10,204	\$0	\$500,000	\$10,204
FHLB Affordable Housing Program	\$650,000	\$13,265	\$0	\$650,000	\$13,265
RIH HOME Loan	\$850,000	\$17,347	\$0	\$850,000	\$17,347
General Partner Capital	\$449,267	\$9,169	(\$145,483)	\$303,784	\$6,200
RI Renewable Energy	\$29,450	\$601	\$12,610	\$42,060	\$858
Total Sources	\$7,489,179	\$152,840	\$43,121	\$7,532,300	\$153,720

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$4,127,851	\$84,242	\$117,465	\$4,245,316	\$86,639
Contingency	\$412,785	\$8,424	\$11,747	\$424,532	\$8,664
Acquisition	\$1,728,500	\$35,276	(\$1,126,000)	\$602,500	\$12,296
Soft Costs	\$590,614	\$12,053	\$5,299	\$595,913	\$12,161
Financing	\$47,813	\$976	\$994,349	\$1,042,162	\$21,269
Developer Fee	\$225,114	\$4,594	\$38,174	\$263,288	\$5,373
Operating Reserve	\$201,283	\$4,108	\$2,088	\$203,371	\$4,150
Replacement Reserve Year 1 Deposit	\$98,000	\$2,000	\$0	\$98,000	\$2,000
Other Reserves	\$57,219	\$1,168	\$0	\$57,219	\$1,168
Total Uses	\$7,489,179	\$152,840	\$43,122	\$7,532,301	\$153,720

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; and

Whereas: RIHousing intends to provide taxable loan funds for the purpose of financing qualified housing developments throughout the state; and

Whereas: said loans 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; and

Whereas, the applicant (“Applicant”) listed below has presented an application to RIHousing requesting mortgage financing to acquire and rehabilitate the Development as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>	<u>Capital Magnet Fund</u>	<u>HOME Investment Partnerships Program</u>
Forest Farm Assisted Living	Church Community Housing Corporation	\$2,500,000	\$750,000	\$850,000

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

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 pursuant to the provisions of this chapter 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 gives firm approval of financing for a taxable first mortgage loan to Forest Farms Assisted Living Limited Partnership (“Borrower”), or an affiliated entity, in an amount not to exceed \$2,500,000 for rental housing known as Forest Farm Assisted Living in Middletown, Rhode Island, (the “Development”).

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes firm approval of a Capital Magnet Fund loan in an amount not to exceed \$750,000 for the Development.

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes firm approval of a HOME Investment Partnerships Program loan in an amount not to exceed \$850,000 for the Development.

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes the transfer of the limited partnership interest in the Borrower from Church Community Housing Corporation to Mumford Housing Corporation.

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

- Approval of a Preservation Loan Fund loan from the Affordable Housing Trust in an amount sufficient to achieve project feasibility.
- FHA Risk-Sharing approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan.
- 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 the amended assisted living services contract with Royal at Home RI, LLC.
- Approval by RIHousing of management documentation.
- 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.

**Attachment C
Site Location Map**

