

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Securing the Future/Building the Dream

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable first mortgage loan in the amount of \$350,000 and a loan from the Capital Magnet Fund (“CMF”) in the amount of \$750,000 for Securing the Future/Building the Dream (“STF/BTD” or the “Development”). The applicant and developer, NeighborWorks Blackstone River Valley (“NWBRV” or the “Developer”), is also requesting a Preservation Loan Fund (“PLF”) Program loan in the amount of \$1,365,000 from the Affordable Housing Trust Fund (“AHT”). Preliminary approval of financing for STF/BTD was granted by the Board of Commissioners on April 2, 2020.

B. DISCUSSION

This is a proposed refinance of 2 separate post year-15 LIHTC projects, Securing the Future L.P. (“STF”) and Building the Dream, L.P. (“BTD”), both of which are in the Constitution Hill neighborhood of Woonsocket, RI. Both are 100% affordable, restricted to households earning up to 60% of area median income (“AMI”).

STF (aka Constitution Hill II/III) was developed in 1998. It contains 46 units in 13 buildings. BTD (aka Constitution Hill IV) was developed in 2002. It contains 19 units in 7 buildings. The primary sources of financing for both transactions were LIHTC, small amortizing loans, RIHousing Targeted Loans, HOME Investment Partnerships Program (“HOME Program”) loans, lead funds and sponsor loans. Each of the buildings was substantially renovated. Affiliates of National Equity Fund (“NEF”) are the original limited partners in both deals.

In the proposed transaction, NWBRV will merge BTD into STF and the NEF affiliates will transfer their limited partnership interest in both developments to an affiliate of NWBRV. STF will be the surviving entity. NWBRV intends to undertake approximately \$35,000/unit of rehabilitation to the Development. The merger of these 2 limited partnerships will serve to preserve the affordability of the units and to create stronger economies of scale for the long-term operation of the properties. This transaction does not currently contemplate a new LIHTC allocation.

Since preliminary approval, NWBRV engaged third-party vendors to perform a capital needs assessment (“CNA”), a fire code compliance assessment, and a Phase I environmental site assessment. These third-party reports, together with detailed inspections of all the units by NWBRV, were used to develop the proposed rehabilitation scope of work. The proposed rehabilitation includes new roofs, boiler replacement in select units, exterior carpentry and painting, site work (sidewalks & walkway), and upgrading unit interior finishes.

As part of the approval process, staff has determined that STF/BTD meets RIHousing's requirements for rollover of existing debt. 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;
- Maximize amortizing debt the property can support; and
- Borrower and/or key principals provide guarantees to cover any construction deficit shortfalls.

The capital stack includes the following: (i) a taxable first mortgage loan, (ii) a CMF loan, (iii) a PLF Program loan from the AHT and (iv) rollover of existing debt.

This RFA seeks firm approval of a RIHousing taxable first mortgage loan in the amount of \$350,000 and a CMF loan in the amount of \$750,000.

C. RECOMMENDATION

The attached resolution for firm approval of financing for STF/BTD is recommended for approval subject to:

- Approval of a loan for \$1,365,000 under the Preservation Loan Program Fund from the AHT.
- 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 and any lender.
- 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:** The Woonsocket Neighborhood Development Corporation
d/b/a NeighborWorks Blackstone River Valley
719 Front Street
Woonsocket, RI 02895

- 2. Mortgagor:** Securing the Future, L.P.
c/o The Woonsocket Neighborhood Development
Corporation d/b/a NeighborWorks Blackstone River Valley
719 Front Street
Woonsocket, RI 02895

- 3. Architect:** John O’Hearne
O’Hearne Associates
PO Box 598
Burrillville, RI 02830

- 4. General Contractor:** The Woonsocket Neighborhood Development Corporation
d/b/a NeighborWorks Blackstone River Valley
719 Front Street
Woonsocket, RI 02895

- 5. Legal:** Michelle Fonseca
Holland & Knight LLP
10 St. James Avenue
11th Floor
Boston, MA 02116

- 6. Management Agent:** Maloney Properties Inc.
27 Mica Lane
Wellesley, MA 02841

Development Team Qualifications

Sponsor/Mortgagor/General Contractor:

The Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley (“NWBRV”) has been creating economic opportunity and revitalizing Rhode Island neighborhoods for almost 30 years. They have completed 8 tax credit developments with more than 400 units. They have developed homeownership opportunities, more than 20,000 square feet of commercial space and a day care center. Originally based in Woonsocket, NWBRV has expanded their territory to include much

of Northern RI, working in Burrillville, North Smithfield, and Glocester. NWBRV is the largest nonprofit community development corporation serving Northern Rhode Island and the Blackstone Valley.

NWBRV will serve as the general contractor for this project. NWBRV is registered as a general contractor with the Rhode Island Department of Labor and has successfully served as general contractor on several self-performed construction projects within their portfolio. By acting as their own contractor, NWBRV has determined they can keep general, profit, and overhead costs down, and better control the interaction with residents.

Architect:

O’Hearne Associates has prior experience designing new affordable housing developments and has a track record of working collaboratively with NWBRV. O’Hearne Associates was the architect for Marshfield Commons, Sankofa Apartments and Greenridge Associates. The firm is familiar with RIHousing’s Design and Construction guidelines.

Attorney:

Holland & Knight LLP is an international legal firm that has provided legal services to several RIHousing borrowers in several transactions. Michelle Roberto Fonseca provides both tax and real estate expertise to her clients and she has experience with affordable housing refinance transactions.

Management Agent:

Maloney Properties Inc. (“Maloney”) is a capable property management company which has been in business since 1981. Both the STF & BTD developments are currently being managed by Maloney. With a portfolio of over 80 developments, Maloney manages over 8,500 units. With a diverse staff of over 350 employees, they are experienced with affordable housing developments. Maloney is a certified MBE and WBE.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a	
				LIHTC Max Rent	% of LIHTC Max Rent
EFF	50%	5	\$ 491.00	\$ 717.00	68%
1	50%	14	\$ 598.36	\$ 768.00	78%
1	60%	1	\$ 648.00	\$ 922.00	70%
1	60%	1	\$ 700.00	\$ 922.00	76%
2	50%	10	\$ 773.80	\$ 922.00	84%
2	60%	2	\$ 747.50	\$ 1,107.00	68%
3	50%	16	\$ 975.31	\$ 1,065.00	92%
3	60%	3	\$ 881.33	\$ 1,278.00	69%
3	60%	3	\$ 911.33	\$ 1,278.00	71%
3	60%	4	\$ 972.75	\$ 1,278.00	76%
4	50%	3	\$ 987.67	\$ 1,188.00	83%
4	60%	1	\$ 1,177.00	\$ 1,426.00	83%
4	60%	2	\$ 1,255.00	\$ 1,426.00	88%
Total		65			

C. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$350,000	\$5,385	\$0	\$350,000	\$5,385
Preservation Loan Fund Program	\$1,500,000	\$23,077	\$135,000	\$1,365,000	\$21,000
Capital Magnet Fund	\$750,000	\$11,538	\$0	\$750,000	\$11,538
Assumed Debt (Rollover)	\$5,388,403	\$82,899	\$0	\$5,388,403	\$82,899
RI HRC	\$649,000	\$9,985	\$0	\$649,000	\$9,985
Existing Replacment Reserves	\$0	\$0	(\$132,580)	\$132,580	\$2,040
Existing Operating Reserves	\$0	\$0	(\$90,593)	\$90,593	\$1,394
Total Sources	\$8,637,403	\$132,883	(\$141,489)	\$8,778,892	\$135,060

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$2,089,000	\$32,138	(\$111,000)	\$2,200,000	\$33,846
Contingency	\$209,900	\$3,229	\$44,900	\$165,000	\$2,538
Acquisition & Rolled Over Debt	\$5,638,403	\$3,846	\$0	\$5,638,403	\$86,745
Soft Costs	\$144,955	\$2,230	(\$41,672)	\$186,627	\$2,871
Financing	\$20,000	\$83,206	\$0	\$20,000	\$308
Developer Fee	\$92,145	\$1,418	(\$26,105)	\$118,250	\$1,819
Operating Reserve	\$231,000	\$3,554	\$78,500	\$152,500	\$2,346
Revenue Deficit Reserve	\$0	\$0	(\$100,000)	\$100,000	\$1,538
Replacement Reserve Year 1 Deposit	\$135,000	\$2,077	(\$11,000)	\$146,000	\$2,246
Other Reserves	\$77,000	\$1,185	\$24,888	\$52,112	\$802
Total Uses	\$8,637,403	\$132,883	(\$141,489)	\$8,778,892	\$135,060

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: in April 2020, the RIHousing Board of Commissioners granted preliminary approval of financing;

Whereas: since preliminary approval the request for financing from the applicant listed below (“Applicant”) is as follows:

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>	<u>Capital Magnet Fund</u>
Securing the Future/ Building the Dream	NeighborWorks Blackstone River Valley	\$350,000	\$750,000

Whereas: the Applicant intends to merge Building the Dream, L.P. (“BTD”) into Securing the Future, L.P. (“STF”) and the limited partners in BTD and STF, affiliates of National Equity Fund (“NEF”), will transfer their limited partnership interests to an affiliate of the Applicant; and

Whereas: staff has reviewed all updates to 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 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) 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 gives firm approval of financing for a taxable first mortgage loan to Securing the Future, L.P., (“Borrower”) in an amount not to exceed \$350,000 (the “Loan”) for rental property known collectively as Securing the Future/ Building the Dream, located in Woonsocket, Rhode Island, (the “Development”).

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes firm approval of a Capital Magnet Fund loan of up to \$750,000 for the Development.

Resolved: that the transfer of the general partnership interest in BTD from its general partner, Community Dreamworks, Inc., to the general partner of STF, Neighborhood Partners, Inc. be, and hereby is, approved.

Resolved: that the transfer of the limited partnership interests in the Development from the limited partners, both being affiliates of NEF, to an affiliate of the Applicant be, and hereby is, approved.

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

- Approval of a loan for \$1,365,000 under the Preservation Loan Program Fund from the Affordable Housing Trust Fund.
- 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 or any lender.

- 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, the Deputy Executive Director, or the Director of Development each acting singly, shall take any and all actions they deem necessary to carry out the foregoing resolutions.

Attachment C Site Location Map

