

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Sutton Place

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for the firm approval of a taxable first mortgage loan of up to \$1,885,000, a HOME Investment Partnerships Program (“HOME Program”) loan of \$1,392,497 and a Housing Trust Fund (“HTF”) loan of \$1,189,921 for Sutton Place (the “Development”) located in East Providence. Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB” or the “Developer”) is the developer. The Developer is also requesting a loan from the Preservation Loan Program Fund (“PLPF”) in the amount of \$1,060,000 through the Affordable Housing Trust Fund (“AHT”). Preliminary approval of financing for Sutton Place was granted by the Board of Commissioners on September 17, 2020.

The Development is located between the Downtown and the Rumford neighborhoods of East Providence and is in walking distance of the Eastside of Providence. The project consists of 2 nearly identical buildings constructed in 1970 located on a single tax lot in the Riverside neighborhood of East Providence. The project is in fair to average condition and contains 22 one-bedroom units (450 square feet (SF) each) and 14 studio units (375 SF each). ONENB intends to invest \$1.75 million or \$48,000 per unit to renovate individual apartments as well as the common areas.

The units will be restricted to households with incomes between 30% and 80% of the area median income (“AMI”). These restrictions will ensure affordability over the long term as the neighborhood around the property gentrifies and the market rents increase. Nine of the units will be affordable to tenants at 30% AMI; 5 units affordable to tenants at or below 60% AMI; 5 units affordable to tenants at or below 70% AMI with the remaining 17 units affordable to tenants at or below 80% AMI.

The total development cost is approximately \$5,895,000 and has increased 12% since preliminary approval. Construction and contingency costs increased \$608,000 due to the discovery of various latent defects and code issues during the due diligence period. Soft costs increased \$125,000 primarily due to: (1) increases in architecture, (2) construction loan interest, and (3) the inclusion of relocation expenses. The higher cost is covered with a larger permanent loan, a reduced acquisition price, and use of funds from operations as a source in the capital stack.

The permanent loan will be interest only during construction and will convert to principal and interest payments upon completion of construction and receipt of a FHA Risk-Sharing Program endorsement. The permanent loan will be amortized over 40 years with a 40-year term.

The proposed capital structure for the Development will consist of (i) permanent financing from RIHousing; (ii) a HTF loan; (iii) a HOME Program loan; (iv) a PLPF loan; (v) waterfront funds from the City of East Providence; and (vi) cashflow from operations.

This RFA requests firm approval of (i) a taxable first mortgage loan in an amount up to \$1,885,000, (ii) a HOME Program loan of \$1,392,497, and (iii) a HTF loan of \$1,189,921.

B. RECOMMENDATION

The attached resolution is recommended for approval subject to:

- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing
- Final approval of plans and specifications by RIHousing, as well as related construction contract documentation.
- Approval by RIHousing of all management related documentation including the marketing and tenant selection plans.
- Execution and delivery by ONENB of a Construction Completion Guaranty in form and substance satisfactory to RIHousing.
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan.
- Completion of a final capital needs assessment (“CNA”), which indicates the proposed scope of work on the existing units is adequate.
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

C. ATTACHMENTS

- A.** Development Summary
- B.** Resolution
- C.** Site Location Map

**Attachment A
Development Summary**

A. Development Team

- 1. Sponsor:** Olneyville Housing Corporation
d/b/a ONE Neighborhood Builders
66 Chaffee Street
Providence, RI 02909

- 2. Mortgagor:** Sutton Place, L.P.

- 3. Architect:** Ed Wojcik Architect, Ltd.
One Richmond Square, Suite 100K
Providence, RI 02906

- 4. General Contractor:** Calson Construction Corporation
34 Oakdale Avenue
Johnston, RI 02919

- 5. Management Agent** First Realty Management Corporation
66 Chaffee Street
Providence, RI 02909

- 6. Legal:** McGunagle Hentz, PC
2088 Broad Street
Cranston, RI 02905

Development Team Qualifications

Sponsor/Mortgagor

Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB”) has been a driving force in the Olneyville neighborhood since 1988. They have developed rental apartments, commercial space, and first-time homebuyer opportunities. ONENB has completed 4 low-income housing tax credit (“LIHTC”) rental developments with an additional project under construction. As a result of their merger with CommunityWorks RI in 2014, they have 8 LIHTC developments in their portfolio. Their homeownership developments include both single family homes and Riverside Townhomes, a condominium development at the edge of Riverside Park. They are currently building 5 net zero homes adjacent to 60 King Street, a recently completed mill renovation. Currently ONENB has approximately 400 apartments in their portfolio. They have played a central coordinating role in the revitalization and the stabilization of the Olneyville neighborhood.

Jennifer Hawkins has over 20 years of non-profit experience and has served as the Executive Director of ONENB for the past 3 years. Under Ms. Hawkins’ guidance, ONENB has improved their financial position along with their asset management and development capacity.

Architect

Ed Wojcik Architect, Ltd. is a full-service architectural firm located in Providence, Rhode Island. Ed Wojcik began his own career in 1998 and has a history of completing projects in a timely fashion using a core group of consultants. The firm works on both residential and commercial developments. Some of the firm's current clients include the Pawtucket Housing Authority, West Bay Community Action, Inc., Smith Hill Community Development Corporation, Brown University, Rhode Island School of Design, Johnson and Wales University and the Coventry Housing Authority. Ed Wojcik has worked on previous RIHousing funded projects, most recently Coventry Crossroads in Coventry.

General Contractor

Calson Construction Corporation ("Calson") is a full-service Rhode Island based general contractor. The company has worked with ONENB on multiple projects over the past several years and is familiar with RIHousing construction standards and processes. Since being selected as the general contractor for this project, Calson has worked in partnership with the development team to refine the budget to accommodate the costs and benefits of potential add alternates and value engineering.

Legal

McGunagle Hentz, PC is a small law firm located in Cranston providing general legal services. Kenneth McGunagle has worked with RIHousing on multiple real estate closings and recently began providing services to ONENB.

Management Agent

First Realty Management Corporation ("FRM") is a full-service property management firm that has been active for over 50 years with over 7,000 residential units under management, including all of ONENB's existing portfolio. Within the affordable housing industry, they have a national and local reputation as a strong organization. They provide property management services for multiple developments in the RIHousing portfolio.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
EFF	80%	9	\$ 980	\$ 1,148	85%	5.1%
1	80%	8	\$ 1,176	\$ 1,230	96%	5.0%
1	60%	3	\$ 898	\$ 922	97%	28.3%
EFF	60%	2	\$ 913	\$ 861	106%	11.8%
EFF	30%	1	\$ 977	\$ 430	227%	5.4%
EFF	30%	2	\$ 864	\$ 430	201%	16.8%
1	30%	5	\$ 977	\$ 461	212%	21.7%
1	30%	1	\$ 997	\$ 461	216%	20.0%
1	70%	5	\$ 999	\$ 1,076	93%	19.8%
Total		36				12.8%

C. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$1,315,000	\$36,528	\$570,000	\$1,885,000	\$52,361
Preservation Loan Fund Program	\$1,080,000	\$30,000	(\$20,000)	\$1,060,000	\$29,444
EP Waterfront Funds	\$200,000	\$5,556	\$0	\$200,000	\$5,556
HOME	\$1,392,497	\$38,680	\$0	\$1,392,497	\$38,680
HTF	\$1,189,921	\$33,053	\$0	\$1,189,921	\$33,053
Deferred Dev Fee	\$65,903	\$1,831	(\$45,903)	\$20,000	\$556
CF from Operations	\$0	\$0	\$147,155	\$147,155	\$4,088
Total Sources	\$5,243,321	\$145,648	\$651,252	\$5,894,573	\$163,738

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$1,037,804	\$28,828	\$551,956	\$1,589,760	\$44,160
Contingency	\$103,780	\$2,883	\$56,220	\$160,000	\$4,444
Acquisition	\$3,420,000	\$95,000	(\$100,000)	\$3,320,000	\$92,222
Soft Costs	\$140,095	\$3,892	\$92,639	\$232,734	\$6,465
Financing	\$47,900	\$1,331	\$32,156	\$80,056	\$2,224
Developer Fee	\$300,000	\$8,333	\$0	\$300,000	\$8,333
Operating Reserve	\$98,000	\$2,722	\$16,500	\$114,500	\$3,181
Replacement Reserve Year 1 Deposit	\$72,000	\$2,000	\$0	\$72,000	\$2,000
Other Reserves	\$23,742	\$659	\$1,782	\$25,524	\$709
Total Uses	\$5,243,321	\$145,648	\$651,252	\$5,894,573	\$163,738

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 any costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary; and

Whereas: in September 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”) has changed as follows:

Applicant	Development	RIHousing 1st Mortgage Loan	HOME Program Loan	HTF Loan
Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Sutton Place	\$1,885,000.00	\$1,392,497	\$1,189,921

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 approves firm commitment of up to \$1,885,000 for a taxable first mortgage loan to the Applicant, or an affiliated entity (the “Borrower”), for rental housing located in East Providence, Rhode Island and known as Sutton Place.

Resolved: that, subject to the special conditions listed below, RIHousing hereby approves firm commitment for a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,392,497 for rental housing located in East Providence, Rhode Island and known as Sutton Place.

Resolved: that, subject to the special conditions listed below, RIHousing hereby approves firm commitment for a Housing Trust Fund loan to the Borrower, in an amount not to exceed \$1,189,921 for rental housing located in East Providence, Rhode Island and known as Sutton Place.

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

- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing.
- Final approval of plans and specifications by RIHousing, as well as related construction contract documentation.
- Approval by RIHousing of all management related documentation including the marketing and tenant selection plans.
- Execution and delivery by ONENB of a Construction Completion Guaranty in form and substance satisfactory to RIHousing.
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan.
- Completion of a final capital needs assessment (“CNA”), which indicates the proposed scope of work on the existing units is adequate.

- Completion of all items required for 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 Maps

Sutton Place East Providence, RI

