

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Financing for Oxford Land Family Housing**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for the firm approval of the reservation of up to \$796,297 of 2020 Low-Income Housing Tax Credits (“LIHTC”) and firm approval of a taxable leasehold first mortgage loan in an amount up to \$1,450,000 for Oxford Land Family Housing (the “Development” or “OLFH”), a 30-unit rental housing development to be located in Providence, Rhode Island. Preservation of Affordable Housing, Inc. is the developer (“POAH” or the “Developer”). The Development received preliminary approval from the Board of Commissioners in May 2020.

The proposed Development will be located on a vacant site adjacent to the existing Oxford Place and Gardens, both refinanced and substantially rehabilitated in 2018. OLFH will enter a long-term ground lease with another POAH controlled entity to ensure perpetual affordability. The Development will consist of 30 units in a 3-story garden-style residential building. The proposed building will provide a mix of 4 one-bedroom units, 2 one-bedroom units with a den, 13 two-bedroom units and 11 three-bedroom units. In total there will be 24 LIHTC units and 6 market-rate units. The project is anticipated to be built to the highest standard of energy efficiency through Passive House building certification.

Five of the units will be affordable to tenants at 50% area median income (“AMI”) with 19 units affordable to tenants at or below 60% AMI. The remaining 6 units will be unrestricted market-rate units with rents affordable to households earning 70% of AMI.

The total development cost is approximately \$9,967,000 and has increased 9% since preliminary approval. Soft costs increased primarily due to: architecture, passive house consultants and testing, builder’s risk insurance and Clerk of the Works fees. Construction costs increased, due to the addition of RI state sales tax on the materials not originally included in the budget. Finally, POAH received additional equity to provide free broadband access to all 3 Oxford properties. The higher costs are paid with higher equity pricing, a higher first mortgage, the addition of a deferred fee and a small sponsor loan.

Citizens Bank, N.A. will provide construction financing. Upon completion of construction, repayment of the construction loan, and stabilization, RIHousing will fund the permanent loan. The permanent loan will be amortized over 35 years but have a mandatory balloon in year 17 in order to lower the interest rate.

The site is located in a qualified census tract (“QCT”) and therefore eligible for the 30% basis boost. There is an approved concerted community revitalization plan (“CCRP”) in

place, which makes POAH eligible for the boost. The proposed capital structure for the Development will consist of (i) permanent financing from RIHousing, (ii) equity from the allocation of 9% LIHTC, (iii) HOME Investment Partnerships Program (HOME) funds from the City of Providence, (iv) a sponsor loan and (v) a deferred developer fee.

National Affordable Housing Trust (“NAHT”) will be the syndicator and is paying \$.96 per credit, an increase of \$.04 since preliminary approval. In addition to the \$.04 increase, the investor, Citizens Bank, N.A., is providing an additional \$259,000 to cover the cost of broadband installation to provide free broadband for all residents in this development as well as the 2 adjacent POAH properties, bringing the total LIHTC pricing to \$.99 per credit.

This RFA requests firm approval of a reservation of up to \$796,297 of 2020 LIHTC, and firm approval of a first mortgage loan in an amount of up to \$1,450,000.

B. RECOMMENDATION

The attached resolution is recommended for approval subject to:

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility.
- 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 documentation.
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Execution and delivery by POAH of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender.
- Closing of a construction loan with Citizens Bank, N.A. in an amount sufficient to achieve project feasibility.
- 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 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:** Preservation of Affordable Housing, Inc.
2 Oliver Street, Suite 500
Boston, MA 02109

- 2. Mortgagor:** Oxford Land Preservation Associates Limited
Partnership

- 3. Architect:** Union Studio Architecture & Community Design,
Inc.
140 Union Street
Providence, RI 02903

- 4. General Contractor:** Pezzuco Construction, Inc.
28 Kenwood Street
Cranston, RI 02907

- 5. Management Agent** POAH Communities, LLC
2 Oliver Street
Boston, MA 02109

- 6. Legal:** DarrowEvertt LLP
One Turks Head Place, Suite 200
Providence, RI 02903

Development Team Qualifications

Sponsor/Mortgagor

Preservation of Affordable Housing, Inc. (“POAH”) is a not-for-profit corporation with a core mission of preserving at-risk affordable housing, often housing that is at risk of being lost due to market pressures or physical deterioration. Based in Boston, POAH now owns and operates more than 11,000 affordable homes in 11 states and Washington DC. One of POAH’s core principles is that the real estate portfolio must be sustainable, and that the organization should be sustained primarily by the portfolio. They have an identify of interest property management company called POAH Communities, LLC.

The organization is familiar with RIHousing requirements and processes and they own/manage developments in 12 Rhode Island communities.

Architect

Union Studio Architecture & Community Design, Inc. (“USA”) is an architectural firm based in Rhode Island. They have designed both new construction and substantial rehabilitation developments for multiple projects in the RIHousing portfolio. Working with POAH, they recently completed the renovation of Oxford Place & Gardens in Providence, also a preservation transaction. They are currently providing architectural services for 2 new construction projects funded with 9% LIHTC. Their RIHousing portfolio includes Dean Street Studios, Palmer Point, and Shannock Falls, as well as developments in Providence, Barrington, Tiverton and North Kingstown. USA has experience working with RIHousing’s development staff and is familiar with its requirements.

General Contractor

Pezzucio Construction, Inc. (“Pezzucio”) is a full-service Rhode Island based general contractor. The company has been involved in multiple successful RIHousing projects and is familiar with RIHousing construction standards and processes. Over the past several years, Pezzucio has served as the general contractor for Park Holm Phase II in Newport, Amherst Gardens and 60 King Street in Providence as well as a number of other projects. They are currently the general contractor for King Street Commons and Park Holm III both of which broke ground in the spring of 2020. When selected as the general contractor, Pezzucio 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

DarrowEverett LLP (“DarrowEverett”) is a full-service business law firm with five offices in the northeast and an office in Fort Lauderdale, FL. The firm practices in a range of areas including: acquisitions and sales of businesses and real estate, corporate and real estate finance, commercial transactions, commercial land development and land use, all forms and uses of leasing, condominiums, personal and corporate tax matters, estate planning, and commercial litigation. This will be the first time DarrowEverett has acted as borrower counsel in a RIHousing LIHTC transaction.

Management Agent

POAH Communities, LLC (“POAH Communities”) has specialized in the management of assisted and non-assisted multi-family housing units for the past 25 years. They oversee the leasing and operations of all POAH properties. The mission of POAH Communities is to provide high quality property management and customer service to its residents. Working with their partners in the community, POAH Communities strives to empower residents and help them be successful with job training, healthcare enrollment, credit counseling and more. They are familiar with RIHousing’s compliance requirements for both LIHTC and the Section 8 program. They manage all 12 of POAH’s developments with RIHousing.

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
1	60%	6	\$ 813.00	\$ 922.00	88%	41.9%
2	50%	4	\$ 783.00	\$ 922.00	85%	45.8%
2	60%	5	\$ 975.00	1,107.00	88%	32.5%
2	100%	4	\$ 1,252.00	Market Unit	0%	13.4%
3	50%	1	\$ 905.00	\$ 1,065.00	85%	37.4%
3	60%	8	\$ 1,128.00	\$ 1,278.00	88%	36.6%
3	100%	2	\$ 1,445.08	Market Unit	0%	18.8%
Total		30				34.0%

C. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$1,277,563	\$42,585	(\$172,437)	\$1,450,000	\$48,333
LIHTC Proceeds	\$7,325,200	\$243,758	(\$577,257)	\$7,902,457	\$263,415
City of Providence HOME	\$400,000	\$13,333	\$0	\$400,000	\$13,333
Sponsor Loan	\$125,530	\$4,184	(\$34,470)	\$160,000	\$5,333
Deferred Developer Fee	\$0	\$0	(\$54,055)	\$54,055	\$1,802
Total Sources	\$9,128,293	\$304,276	(\$838,219)	\$9,966,512	\$332,217

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$6,924,101	\$230,803	(\$182,884)	\$7,106,985	\$236,900
Contingency	\$346,205	\$11,540	(\$1,705)	\$347,910	\$11,597
Soft Costs	\$731,573	\$24,386	(\$439,127)	\$1,170,700	\$39,023
Financing	\$424,000	\$14,133	\$130,297	\$293,704	\$9,790
Developer Fee	\$564,900	\$18,830	(\$25,200)	\$590,100	\$19,670
Operating Reserve	\$76,654	\$2,555	(\$88,946)	\$165,600	\$5,520
Replacement Reserve Year 1 Deposit	\$15,000	\$500	\$5,250	\$9,750	\$325
Other Reserves	\$45,860	\$1,529	\$22,868	\$22,992	\$766
Neighborhood Initiative / Broadband	\$0	\$0	(\$258,771)	\$258,771	\$8,626
Total Uses	\$9,128,293	\$304,276	(\$838,219)	\$9,966,512	\$332,217

ATTACHMENT C

**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: the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”); and

Whereas: RIHousing has been designated the administrator of the Program in the State of Rhode Island; and

Whereas: staff for RIHousing has determined that the applicant listed below (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code; and

Whereas: in May 2020, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2020 (the “Tax Credits”), and preliminary approval of permanent financing;

Whereas: since preliminary approval the request for permanent financing from the applicant listed below (“Applicant”) has increased to the following:

Applicant	Development	9% LIHTCs	RIHousing 1st Mortgage
Preservation of Affordable Housing, Inc.	Oxford Land Family Housing	\$796,297	\$1,450,000

Whereas: the RIHousing Board of Commissioners and staff have reviewed 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 rents 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 up to \$796,297 of allocated 2020 Tax Credits be reserved for the Applicant pursuant to Section 4.3 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”), and that the Executive Director, Deputy Executive Director, and the Director of Development, each acting singly be, and hereby are, authorized and empowered in the name of and on behalf of RIHousing to take any and all actions necessary to cause such reservation to be effective; and further, that any final allocation shall be made at such time as the applicant complies with the requirements of the Act and the RIHousing Regulations.

Resolved: that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,450,000 for a taxable first mortgage loan to the Applicant or an affiliated entity (the “Borrower”) for rental housing to be located in Providence, Rhode Island and known as Oxford Land Family Housing.

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

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility.
- 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 documentation.
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender.

- Closing of a construction loan with Citizens Bank, N.A. in an amount sufficient to achieve project feasibility.
- 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 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 D
Site Location Maps

Oxford Land Family Housing
Providence, RI

