

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for 129-137 Garfield Street (Central Falls)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage taxable financing in an amount not to exceed \$1,232,000 for 129-137 Garfield Street in Central Falls (hereinafter referred to as the “Development”). CIMCO Realty, LLC is the developer (the “Developer”).

B. DISCUSSION

129-137 Garfield Street is a 13-unit multifamily development which the Developer intends to acquire utilizing RIHousing’s Naturally Occurring Affordable Housing (“NOAH”) Loan Demonstration Program (the “NOAH Loan Program”). The intent of this demonstration program is to provide cost-effective financing to housing developers pursuing the acquisition and preservation of existing market rate housing to create deed-restricted affordable housing moving forward. The NOAH Loan Program requires that a minimum of 40% of the units in a development are restricted to 80% of area median income (“AMI”) for a term of 20 years. The NOAH loan is limited to the lower of 85% of the as-is value based on a RIHousing-commissioned appraisal or 1.2 debt service coverage.

The Development consists of 13 two-bedroom units with rents at or below 80% AMI. In order to generate sufficient net operating income to support underwriting projections, the Developer has submitted a proposal to increase rents for some existing residents. Rent increases will be phased-in to minimize disruption to existing residents and will be dependent on the final determination of the percentage of units to be deed-restricted. Despite any rent increases, the proposed rents remain lower than the maximum 80% AMI rents for restricted units.

This RFA requests firm approval of taxable first mortgage financing in an amount not to exceed \$1,232,000 for the acquisition of 129-137 Garfield Street in accordance with the RIHousing NOAH Loan Demonstration Program Term Sheet at Attachment C, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution
- C.** RIHousing NOAH Loan Demonstration Program Term Sheet

Attachment A

Credit Summary

Approval Loan Recommendation Summary – 129-137 Garfield Street

Preliminary _____

Firm X

Date: February 15, 2024

Project: Acquisition of a multifamily development in Central Falls comprised of 13 two-bedroom units.

Development Team:

	Name	Location	Risk Rating
Sponsor/Developer	CIMCO Realty, LLC	Boston, MA	Medium
Mortgagor	CIMCO Realty, LLC	Boston, MA	Medium
Legal	Roberts, Carroll, Feldstein & Peirce Incorporated	Providence, RI	Low
Management Agent	Stonelink Property Management LLC	Rumford, RI	Medium

Executive Summary:

Property Address	129-137 Garfield St	Central Falls, RI
Proposed Loan Amount(s) and Terms		
Taxable Loan	Not to exceed \$1,232,000**	7.35%, 30 year amortization with 20 year balloon*.

*Interest rate based on the Federal Home Loan Bank of Boston Classic Advance rate plus a spread.

**The loan amount is currently constrained by the 1.2 DSC requirement at \$1,182,300. Any difference in the loan amount will be made up with owner equity.

Proposed Sources & Uses:

Sources	Firm	
	Amount	Per Unit
RIH First Mortgage	\$1,232,000	94,769
Other Equity	\$283,878	21,837
Total Sources	\$1,515,878	116,606
Uses	Amount	Per Unit
Acquisition	\$1,450,000	\$111,538
Financing	\$12,320	\$948
Operating Reserve	\$44,289	\$3,407
Replacement Reserve Year 1 Deposit	\$3,900	\$300
Other Reserves	\$5,369	\$413
Total Uses	\$1,515,878	\$116,606

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$113,227	8,710	\$3,728	\$116,955	\$8,997
Appraisal Cap Rate	6.50%			6.50%	
Valuation	\$1,450,000	111,538	\$349,300	\$1,799,300	\$138,408
Loan Principal	\$1,232,000	94,769		\$1,232,000	\$94,769
LTV	84.97%		-16%	68.47%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$116,606	\$112,486 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.20	Final loan amount must meet the 1.2 DSC requirement
DCR Yr 15	1.52	
NOI	\$116,955	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	84.97%	
Initial Installment (%) of syndication proceeds	N/A	
Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$44,289	3 months OpEx and Debt Service (Per RIH Term Sheet)
Replacement Reserve (Amt and confirm consistency with UW)	\$3,900	\$300 per unit (Per RIH Term Sheet)

requirements)		
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Deviations from standard underwriting – No

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
2	80% Non-LIHTC	5	\$ 1,325.00	\$ -	0%	28.1%
2	80% Non-LIHTC	3	\$ 1,300.00	\$ -	0%	29.5%
2	80% Non-LIHTC	2	\$ 1,350.00	\$ -	0%	26.8%
2	80% Non-LIHTC	2	\$ 1,375.00	\$ -	0%	25.4%
2	80% Non-LIHTC	1	\$ 1,275.00	\$ -	0%	30.9%
Total		13				28.0%

*Post-acquisition rents as proposed by the developer.

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;

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

Whereas: RIHousing has established the Naturally Occurring Affordable Housing (“NOAH”) Loan Demonstration Program to provide mortgage financing for non-restricted naturally occurring affordable multifamily properties that do not need subordinate debt;

Whereas: CIMCO Realty, LLC (the “Applicant”) is requesting firm approval of taxable first mortgage financing through the NOAH Loan Demonstration Program for the Development as set forth below:

Applicant	Development	Taxable Mortgage
CIMCO Realty, LLC	129-137 Garfield Street	\$1,232,000

Whereas, the RIHousing Board of Commissioners and staff have reviewed the submission of CIMCO Realty, LLC 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 subject to the special conditions listed below, RIHousing hereby declares firm commitment for first mortgage financing through the Naturally Occurring Affordable Housing (“NOAH”) Loan Demonstration Program for CIMCO Realty, LLC or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$1,232,000 for rental housing known as 129-137 Garfield Street located in Central Falls, Rhode Island.

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

- Capital Needs Assessment commissioned by the developer;
- The Borrower’s financial condition must be acceptable to RIHousing in all respects;
- Final loan determination based on interest rate and adherence to the lower of 85% of the as-is value or 1.2 debt service coverage; and
- 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 Real Estate Development, each acting singly, be and hereby are empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.

Attachment C

RIHousing NOAH Loan Demonstration Program Term Sheet:

Applicant:	CIMCO Realty, LLC (the “Applicant”)
Borrower:	CIMCO Realty, LLC or affiliate acceptable to RIHousing in all respects.
Subject Property:	A 13-unit multifamily property located at 129-137 Garfield Street, Central Falls, RI (the “Property”)
Loan Type:	A first mortgage loan to be referred to as the “Loan”.
Purpose:	The proceeds of the Loan will be used for acquisition of the Property.
Loan Amount:	A to-be-determined amount, not to exceed \$1,232,000, subject to RIHousing’s underwriting standards.
Amortization /Term:	Thirty (30) year amortization with a 20-year balloon.
Interest Rate:	The interest rate will be based on the FHLB Classic Advance Rate plus 200 basis points.
Loan-to-Value & Appraisal:	The Loan amount will be limited to the lower of 85% of the as-is value based on a RIHousing-commissioned appraisal or 1.2 debt service coverage.
Debt Service Coverage:	A minimum of 1.20 on the Loan tested annually.
Vacancy Rate:	Minimum vacancy rate of 5% is applied for initial underwriting.
Tax and Insurance:	Three (3) months will be held in escrow by the property management agent and verified annually with Lender.
Operating Reserve:	Three months debt and operating expenses funded at closing. The operating reserve will be released in 2 consecutive annual installments starting after the second full year of stabilization if debt service is equal to or greater than 1.2, and the borrower is in compliance with all loan documents.

Replacement Reserve:	\$300 per unit – the amount may be higher or lower depending on the Capital Needs Assessment
Construction Contingency:	NA
Affordability Restriction:	A minimum of 40% of the units will be restricted to 80% of Area Median Income (“AMI”) until the later of twenty (20) years or Loan maturity.
Prepayment and Refinance:	Prepayment of the Loan is restricted until the 5 th year following the closing date. A prepayment penalty of 5% of the outstanding principal balance will be applicable in the 5 th year, reducing by 1% per year until the 10 th year.
Borrower Financial:	The Borrower’s’ financial condition(s) must be acceptable to RIHousing in all respects. Borrower will be required to demonstrate a minimum of \$250,000 in liquid assets to qualify for the Loan. Annual submission of a corporate or personal financial statement of the borrower(s) as well as yearly submission of personal and business income tax returns. Two years of tax returns are to be submitted with this request.
Loan Guarantees:	The Loan will be non-recourse, except for certain carve-outs related to rental achievement, debt service coverage and environmental liability.
Subordinate Debt:	Any subordinate debt, and their respective loan documents must be acceptable to RIHousing in all respects.
Loan Security:	First priority mortgage on the Development; a first priority collateral assignment of rents and leases covering the premises; pledges of reserve accounts; a first priority security interest in Borrower's personal property, fixtures and equipment pertinent to the operation and maintenance of the Premises as RIHousing shall designate at any time or from time to time; and any parking rights appurtenant to all commercial and residential leases that may be in effect.
Disbursement Schedule:	Loan proceeds will be advanced to the borrower at closing.

Fees and Expenses:

Origination Fee: 1% of the Loan amount

Transaction Costs: The Borrower shall pay RIHousing's costs and expenses of due diligence, underwriting and closing this transaction including the fees and disbursements of our independent counsel.

Property Condition: Borrower will maintain the property condition consistent with RIHousing's minimum standards for non-subsidized apartments. RIHousing reserves the right to inspect the Property annually.