

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Hillcrest Village Apartments (Providence)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$35,000,000, of which \$15,000,000 will remain as a permanent first mortgage, for Hillcrest Village Apartments (hereinafter referred to as the “Development”). Preservation of Affordable Housing, Inc. (“POAH” or the “Developer”) is the developer. The Development received preliminary approval for this financing from the Board of Commissioners on October 19, 2023 (“Preliminary Approval”).

B. DISCUSSION

Hillcrest Village Apartments is an existing 6-story 130-unit housing development built in 1979, consisting of 112 one-bedroom units and 18 two-bedroom units. The Development is located in Providence’s Mount Pleasant neighborhood. The Development was last recapitalized in November 2006, and the initial fifteen-year low-income housing tax credit (“LIHTC”) compliance period ended in December 2021. The original tax credit investor exited the partnership in June 2022.

A Section 8 Project-Based Rental Assistance contract (the “HAP Contract”) is currently in place for all 130 units, which expires in January 2027. POAH is in the process of extending the HAP Contract for another 20 years with rents marked up to market at closing.

POAH forecasts a 12-month construction timeline with a construction budget of approximately \$25,788,461 for a mixed level of renovations, including new kitchen cabinets and countertops, updated lighting, interior doors, VCT flooring, baseboard heater covers, and water-saving water closets. Additional communitywide renovations and improvements will include a new roof, whole-building Wi-Fi, new washers and dryers, a new generator, a DHW heating system, and building security upgrades. In addition, upgrades will be made to the current ADA-accessible units, and three units will be upgraded to conform to the 2% hearing and visual impairment guidelines.

The development received a Green and Resilient Retrofit Program (“GRRP”) award from the U.S. Department of Housing and Urban Development (“HUD”) in the amount of \$7,800,000. The GRRP loan will be repaid via 50% of surplus cash; however, it triggers Davis Bacon wages and has added additional architectural and engineering costs to the project.

As a result of the GRRP award, the scope of work changed significantly from preliminary approval. The GRRP allows POAH to undertake an additional \$60,000/unit in construction scope. Energy improvements from the GRRP funding will include a new high-efficiency HVAC system, a strengthened roof to handle the weight of the new solar array, new windows

throughout, removal of exterior brick, additional insulation included throughout, and a new energy-efficient paneling system for siding.

Since the acquisition is a related-party sale, the acquisition price cannot be discounted; however, the higher acquisition price is supported by an appraisal.

Since preliminary approval, the developer has secured a LIHTC equity commitment from Boston Financial Investment Management (“BFIM”) at a price of \$0.8750 per credit and a construction loan commitment from Citizens Bank, N.A.

The capital stack is comprised of the following sources: (i) the tax-exempt first mortgage contemplated herein, (ii) cash flow from operations, (iii) LIHTC equity, (iv) a deferred developer fee, (v) the GRRP loan, and (vi) a seller note and sponsor loan. It is anticipated that RIHousing loans totaling approximately \$11,250,000 will be repaid at closing as part of the refinancing.

By this RFA, staff recommends for approval the attached resolutions, which provide firm approval of \$35,000,000 in tax-exempt financing, of which \$15,000,000 will remain as a permanent first mortgage, for Hillcrest Village Apartments, subject to certain conditions as set forth therein.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

Attachment A
Credit Summary

Approval Loan Recommendation Summary – Hillcrest Village Apartments

Preliminary _____

Firm X

Date: August 21, 2025

Project: Preservation of 130 units containing a mix of 112 one-bedroom units and 18 two-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Preservation of Affordable Housing, Inc.	Boston, MA	Low
Mortgagor	POAH Hillcrest II, LLC	Boston, MA	Low
Architect	Union Studio Architecture & Community Design	Providence, RI	Low
General Contractor	Pezzuco Construction, Inc.	Cranston, RI	Low
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	POAH Communities, LLC	Boston, MA	Low
Syndicator	Boston Financial Investment Management	Boston, MA	Low

Executive Summary

	Address	City
Property Address	40 Leander Street	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$35,000,000	
Construction/Bridge Loan	\$20,000,000	4.60%/ 24 months
Permanent First Mortgage	\$15,000,000	6.70%/40 years with balloon at year 17

Note: Interest rates are subject to change based on market conditions and deal specifics.

Loan to Value:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$1,328,321	10,218	\$124,353	\$1,452,674	\$11,174
Appraisal Cap Rate	5.25%			5.25%	
Valuation	\$25,301,352	194,626	\$2,368,635	\$27,669,988	\$212,846
Loan Principal	\$15,000,000	115,385		\$15,000,000	\$115,385
LTV	59.29%		-5%	54.21%	

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$13,500,000	103,846	\$1,500,000	\$15,000,000	\$115,385
LIHTC Proceeds	\$18,547,031	142,669	\$9,283,356	\$27,830,387	\$214,080
Solar Credits	\$0	0	\$1,059,180	\$1,059,180	\$8,148
Seller Loan	\$10,781,604	82,935	\$4,035,763	\$14,817,367	\$113,980
GRRP	\$0	0	\$7,800,000	\$7,800,000	\$60,000
GP/SLP Capital Contribution	\$0	0	\$110	\$110	\$1
Cashflow from Operations	\$586,249	4,510	\$393,734	\$979,983	\$7,538
Deferred Development Fee	\$2,959,257	22,764	\$1,258,098	\$4,217,355	\$32,441
Total Sources	\$46,374,141	356,724	\$25,330,241	\$71,704,382	\$551,572

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$11,726,452	\$90,203	\$14,062,009	\$25,788,461	\$198,373
Contingency	\$1,160,000	\$8,923	\$1,398,846	\$2,558,846	\$19,683
Acquisition	\$20,499,004	\$157,685	\$3,500,996	\$24,000,000	\$184,615
Soft Costs	\$2,467,911	\$18,984	\$1,226,675	\$3,694,586	\$28,420
Financing	\$2,832,439	\$21,788	\$1,472,765	\$4,305,204	\$33,117
Developer Fee	\$5,802,920	\$44,638	\$3,249,145	\$9,052,065	\$69,631
Operating Reserve	\$1,289,137	\$9,916	\$88,174	\$1,377,311	\$10,595
Replacement Reserve Year 1 Deposit	\$260,000	\$2,000	\$263,000	\$523,000	\$4,023
Taxes & Insurance	\$336,278	\$2,587	\$68,631	\$404,909	\$3,115
Total Uses	\$46,374,141	\$356,724	\$25,330,241	\$71,704,382	\$551,572

\$3,180,934 LIHTC @ \$0.875/credit.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$551,572	\$533,840 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.30	
DCR Yr 15	1.50	
NOI	\$1,452,674	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	59%	
Initial Installment (%) of syndication proceeds	14%	RIHousing construction loan comes in at 50% completion.
Acquisition Price equal to or less than Appraised value	Yes	Less than appraised value
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,377,311	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$523,000	\$4,023 per unit per Capital Needs Assessment

Deviations from standard underwriting – Yes. The total development cost per unit exceeds the \$450,000 per unit threshold in the Qualified Allocation Plan (“QAP”).

Extraordinary Conditions Affecting Total Development Cost (“TDC”):

The higher TDC is primarily driven by two items:

1. The acquisition price of approximately \$184,000 per unit, which cannot be discounted but is supported by an RIHousing-commissioned appraisal, and which generates LIHTC basis to support the redevelopment.
2. The \$7,800,000 GRRP funding award, which generates an additional \$60,000 per unit of construction costs, as well as related soft costs.

Operating Expenses:

To help secure GRRP funding, the improvements will be fully electrified to meet the Enterprise Green Communities Certification (“EGC”) and, as a result:

1. CLEAResult has estimated that the annual electric load will be 971,138 kWh. At the current rate of \$.265/kWh and a service fee, the estimated annual cost is \$267,221 or \$2,055 per unit.
2. The rooftop and parking lot solar is estimated to produce approximately 686,898 kWh, lowering the electrical load to 284,240 kWh, reducing the annual electric costs to approximately \$78,000, or \$600 per unit.
3. Solar will reduce annual electric costs by approximately \$189,000 or 70%.
4. Building is converting to fully electric service with the addition of solar, eliminating

- need for fuel oil and gas.
- Overall utility expenses are projected to be reduced by approximately 17% or \$276 per unit.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	HAP Rent (Gross Rent)	Market Rent	LIHTC Max Rent
1	60%	112	\$ 1,690.00	\$ 2,000.00	\$ 1,152.00
2	60%	18	\$ 2,113.00	\$ 2,450.00	\$ 1,383.00
Total		130			

RIHousing underwrites to the lower of the HAP Contract rents or market rents, as determined by a RIHousing-commissioned appraisal.

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 issue tax-exempt bonds to finance qualified housing developments throughout the state;
- Whereas,** RIHousing is authorized to issue tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** on October 19, 2023, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to Preservation of Affordable Housing, Inc. (“Applicant”) to acquire and/or rehabilitate the affordable housing to be known as Hillcrest Village Apartments (the “Development”);
- Whereas,** the Applicant is requesting firm approval of tax-exempt mortgage financing for the Development as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax- Exempt Bonds</u>
Hillcrest Village Apartments	Preservation of Affordable Housing, Inc.	\$35,000,000

- Whereas,** said bonds 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 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.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that subject to the special conditions listed below, RIHousing hereby declares firm commitment for tax-exempt mortgage financing for Preservation of Affordable Housing, Inc. or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$35,000,000 for rental housing known as Hillcrest Village Apartments located in Providence, Rhode Island to be financed in part with tax-exempt bonds.

Resolved, that RIHousing hereby declares that this firm commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$35,000,000 in mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. The intent to reimburse the aforementioned bond-funded costs is intended to satisfy the requirements of Section 1.150-2 of the United States Treasury Regulations. This resolution shall take effect immediately upon adoption.

Resolved, that the Executive Director, Deputy Executive Director, Director of Finance, General Counsel, and Manager of Treasury and Capital Planning (each, an “Authorized Officer”), acting singly be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents, and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, each such determination pursuant to the immediately preceding clauses to be conclusively evidenced by the taking of such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners.

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;
- Approval by RIHousing of construction loan documents with Citizens Bank, N.A.

- Approval and availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Final approval of a new 20-year Section 8 Project-Based HAP contract;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specification and construction documentation;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing; 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, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.