

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Hillside 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 \$13,200,000, of which \$5,300,000 will remain as a permanent first mortgage, for Hillside 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”) as part of a combined preservation deal with another project.

**B. DISCUSSION**

Hillside Village Apartments is a 42-unit community for families built in 1991 with three 3-story buildings containing a mix of 24 two-bedroom units and 18 three-bedroom units. All 42 units will be restricted to households earning up to 60% of area median income (“AMI”). The Development is located in the Silver Lake neighborhood of Providence. The development was last recapitalized in November 2006, and the initial 15-year low-income housing tax credit (“LIHTC”) compliance period ended in December 2021. The original tax credit investor exited the partnership in June 2022.

There is a Section 8 Project-Based Rental Assistance contract (“HAP Contract”) in place that expires in November 2026. POAH is in the process of extending the HAP Contract for another 20 years with rents marked up to market at closing.

At Preliminary Approval, Hillside Village Apartments was part of a combined preservation deal with Pocasset Manor, another POAH property. Since Preliminary Approval, 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 \$2,520,000. Since this GRRP funding triggers Davis Bacon wages and is repaid via 50% of surplus cash, POAH has decided that the two properties should remain as stand-alone developments.

As a result of the GRRP award, the scope of work for the Development has changed significantly from Preliminary Approval. The GRRP funding allows POAH to undertake an additional \$60,000/unit in construction work. 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, removal of the current façade and replacement with rigid foam sheathing, foundation rigid foam installation, and rigid foam sheathing on the roof. The remainder of the construction scope includes new kitchen cabinets and countertops, updated lighting, interior doors, VCT flooring, and bathroom upgrades. Additional communitywide renovations and improvements will include new roofs, full building Wi-Fi, new washers and

dryers, and clapboard siding.

Staff notes that the acquisition price is high; however, it is supported by an appraisal and cannot be discounted since the acquisition is a related party sale. In addition, the GRRP funding triggers Davis-Bacon wages and requires additional architectural and engineering costs. POAH undertook some value engineering that has been used to lower costs, including lowering construction costs by approximately \$550,000 by reducing some non-GRRP-related scope.

Since Preliminary Approval, the Developer has secured a LIHTC equity commitment from Boston Financial Investment Management (“BFIM”) at a price of \$0.945 per credit and a construction loan commitment from Citizens Bank, N.A.

The overall capital stack includes (i) the RIHousing first mortgage contemplated herein, (ii) equity from the sale of 4% LIHTC, (iii) deferred developer fee, (iv) a seller loan, (v) existing POAH mortgage assumption, (vi) the GRRP funding, (vii) Cash Flow from operations, (viii) a solar tax credit, and (ix) capital contributions.

This RFA requests firm approval of an amount not to exceed \$13,200,000 in tax-exempt financing, of which an amount not to exceed \$5,300,000 will remain as permanent debt, for Hillside Village Apartments, subject to certain conditions as outlined in the attached Resolution.

**C. ATTACHMENTS**

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

**Attachment A**

**Credit Summary**

**Approval Loan Recommendation Summary – Hillside Village Apartments**

Preliminary \_\_\_\_\_

Firm   X  

Date: August 21, 2025

**Project:** Preservation of 42 units containing a mix of 24 two-bedroom units and 18 three-bedroom units.

**Development Team**

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

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	825 Plainfield Street	Providence
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Tax Exempt Loan	\$13,200,000	
Construction/Bridge Loan	\$7,900,000	4.60%/ 24 months
Permanent First Mortgage	\$5,300,000	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	\$511,627	12,182	\$2,362	\$513,989	\$12,238
Appraisal Cap Rate	5.25%			5.25%	
Valuation	\$9,745,276	232,030	\$44,997	\$9,790,273	\$233,102
Loan Principal	\$5,300,000	126,190		\$5,300,000	\$126,190
LTV	54.39%		0%	54.14%	

**Proposed Sources & Uses:**

At the time of application and Preliminary Approval, Hillside Village Apartments was part of a combined deal with Pocasset Manor. As a result, all financing and the total development costs (“TDC”) were priced/quoted on the completion of Pocasset Manor and Hillside Village Apartments as a single combined project. Therefore, we cannot provide a reliable source and use comparison from preliminary to firm approval for Hillside Village Apartments as a standalone deal.

Sources	Firm	
	Amount	Per Unit
RIH First Mortgage	\$5,300,000	\$126,190
LIHTC Proceeds	\$11,100,092	\$264,288
Solar Credits	\$145,723	\$3,470
Deferred Development Fee	\$1,593,096	\$37,931
Seller Loan - Acquisition Equity	\$5,569,624	\$132,610
GRRP	\$2,520,000	\$60,000
Existing Reserves/Cash From Operations	\$607,362	\$14,461
GP/SLP Capital Contributions	\$110	\$3
<b>Total Sources</b>	<b>\$26,836,007</b>	<b>\$638,953</b>
Uses	Firm	
	Amount	Per Unit
Construction	\$9,008,408	\$214,486
Contingency	\$890,841	\$21,211
Acquisition	\$9,330,000	\$222,143
Soft Costs	\$1,749,064	\$41,644
Financing	\$1,553,598	\$36,990
Developer Fee	\$3,379,787	\$80,471
Operating Reserve	\$538,678	\$12,826
Replacement Reserve Year 1 Deposit	\$244,000	\$5,810
Taxes & Insurance	\$141,631	\$3,372
<b>Total Uses</b>	<b>\$26,836,007</b>	<b>\$638,953</b>

\$1,174,730 LIHTC @ \$.945/credit.

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	\$639,091	\$616,945 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.30	
DCR Yr 15	1.41	
NOI	\$513,989	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	51.79%	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	Yes	Less than appraised value
Operating Reserve (Amt and confirm consistency with UW requirements)	\$538,678	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$244,000	\$5,810 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 \$222,143 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 \$2,520,000 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 282,498 kWh. At the current rate of \$.265/kWh and a service fee, the estimated annual cost is \$77,000 or \$1,833 per unit.
2. The rooftop solar is estimated to produce approximately 117,169 kWh, lowering the electrical load to 165,320 kWh, reducing the annual electric costs to approximately \$46,000, or \$1,095 per unit.
3. Solar will reduce annual electric costs by approximately \$31,000 or 67%.
4. Building is converting to fully electric service with the addition of solar, eliminating need for fuel oil and gas.

5. Overall utility expenses are projected to be reduced by approximately 30% or \$1,088 per unit.

**Unit Distribution and Revenue:**

Unit	Rent Type	Number of Units	HAP Rent (Gross Rent)	Market Rent	LIHTC Max Rent
2 Bed	60%	24	\$ 2,225.00	\$ 2,275.00	\$ 1,518.00
3 Bed	60%	18	\$ 2,700.00	\$ 2,750.00	\$ 1,753.00
<b>Total</b>		<b>42</b>			

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 for the purpose of financing 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 Hillside 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>
Hillside Village Apartments	Preservation of Affordable Housing, Inc.	\$13,200,000

**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 \$13,200,000 for rental housing known as Hillside 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 \$13,200,000 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 credits in amounts sufficient to achieve project feasibility;
- Approval and availability of subordinate funding 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;

- Approval by RIHousing of construction loan documents with Citizens Bank, N.A.
- Execution and delivery by the Borrower and Applicant of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of all management-related documentation, including the marketing and tenant selection plans;
- Final approval of a new 20-year Section 8 Project-Based HAP contract;
- 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.