

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Living East Bay**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for the firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$4,750,000.00, a taxable permanent first mortgage of \$430,000.00, a HOME Investment Partnerships Program (the “HOME Program”) loan of \$714,500.00, a Housing Trust Fund Program (the “HTF Program”) loan of \$800,000.00, and a Capital Magnet Fund (“CMF”) loan of \$785,000.00 for Living East Bay (“LEB” or the “Development”). East Bay Community Development Corp. is the developer (“East Bay” or the “Developer”). The Development received preliminary approval from the Board of Commissioners for the tax-exempt and CMF financing on August 19, 2021 and for the HOME Program and HTF Program financing on May 20, 2021.

**B. DISCUSSION**

This firm approval will support the acquisition and rehabilitation of two existing portfolios, combining them into a single low-income housing tax credit (“LIHTC”) project. The 47 units are in nine buildings located in Bristol and Warren. The project has a Section 8 project-based voucher contract for eight units. The units and buildings are in average condition with some deferred maintenance. Most of these buildings were constructed in the early 1900s, but one dates as far back as the 1800s.

Exposure to weather and salt air takes a toll on historic structures. East Bay will undertake a substantial renovation of the Development with a focus on the exterior and common area elements. The scope of work for the renovation includes new roofs, windows, siding, entry doors and exterior lighting. Additionally, the mechanical, electrical, and fire alarm systems will be replaced or upgraded. The common area hallways and unit interiors will be upgraded as needed.

The Developer will complete the acquisition and rehabilitation of the Development using the proceeds from this tax-exempt financing, taxable financing, the sale of LIHTCs, a CMF loan, a HOME loan, a HTF Program loan, a sponsor loan, assumed debt, and a seller loan. Red Stone Equity Partners (“Red Stone”) will be the syndicator purchasing the 4% LIHTCs and is paying \$0.93 per credit.

There is approximately \$2,250,000.00 of existing debt plus accrued interest on these properties comprised primarily of RIHousing targeted loans, HOME Program loans, a Building Homes Rhode Island loan, and Lead Program funds. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing’s requirements for rollover of existing debt, which are as follows:

- Current on first mortgage or in compliance with forbearance agreement;
- No outstanding monitoring findings and no history of significant monitoring findings;
- Demonstrated, responsible long-term ownership and management of the property;
- An equity pay-in schedule satisfactory to RIHousing;
- Maximization of amortizing debt able to be supported by the property; and
- Borrower-provided guarantees to cover any deficit shortfalls.

This RFA requests firm approval of \$4,750,000 in tax-exempt financing, a taxable permanent loan of \$430,000.00, a HOME Program loan of \$714,500.00, a HTF Program loan of \$800,000.00 and a CMF loan for \$785,000.00 for LEB subject to certain conditions as set forth in the attached Resolution.

**B. ATTACHMENTS**

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

## Attachment A

### Credit Summary

#### Approval Loan Recommendation Summary – LIVING EAST BAY

Preliminary \_\_\_\_\_

Firm  X

Date: January 12, 2021

**Project:** Acquisition, rehabilitation and refinance of 47 existing affordable units in Bristol and Warren comprised of 13 one-bedroom, 24 two-bedroom, 8 three-bedroom, and 2 four-bedroom units.

#### Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
<b>Sponsor/Developer</b>	East Bay CDC	Bristol, RI	Medium
<b>Mortgagor</b>	To Be Formed, LP	Bristol, RI	Low
<b>Architect</b>	Union Studio	Providence, RI	Low
<b>General Contractor</b>	Stand, Corp	Warwick, RI	Low
<b>Legal</b>	Chace Ruttenberg & Freedman	Providence, RI	Low
<b>Management Agent</b>	East Bay CDC	Bristol, RI	Medium
<b>Consultant</b>	FJS Associates, Ltd	Newport, RI	Medium
<b>Syndicator</b>	Redstone Equity Partners	Boston, MA	Low

#### Executive Summary

	Address	City
<b>Property Address</b> (for scattered sites, add list at end of summary)	Scattered Sites	Bristol & Warren, RI
<b>Proposed Loan Amount(s) and Terms</b>		
	Amount	Interest rate/Term
Tax Exempt Loan Construction Loan	\$4,750,000	3.125% / 24 Months
Permanent Loan (Taxable)	\$430,000	5% / 40 Years
Capital Magnet Fund Loan	\$785,000	1% / 40 Years
HOME Loan	\$714,015	AFR / 40 Years
HTF Loan	\$800,000	AFR / 40 Years

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

## Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$430,000	\$9,149	\$0	\$430,000	\$9,149
Sponsor loan (Deferred Dev Fee)	\$582,000	\$12,383	(\$275,000)	\$307,000	\$6,532
Housing Trust Fund	\$800,000	\$17,021	\$0	\$800,000	\$17,021
RIH HOME Loan	\$714,015	\$15,192	\$0	\$714,015	\$15,192
Capital Magnet Fund	\$785,000	\$16,702	\$0	\$785,000	\$16,702
Assumed Debt (Rollover)	\$2,710,219	\$57,664	\$970,628	\$3,680,847	\$78,316
LIHTC Proceeds	\$2,897,927	\$61,658	\$177,876	\$3,075,803	\$65,443
Existing Reserves	\$40,699	\$866	\$0	\$40,699	\$866
<b>Total Sources</b>	<b>\$8,959,860</b>	<b>\$190,635</b>	\$873,504	<b>\$9,833,364</b>	<b>\$209,221</b>

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$2,088,014	\$44,426	\$704,634	\$2,792,648	\$59,418
Contingency	\$208,810	\$4,443	\$59,882	\$268,692	\$5,717
Acquisition	\$4,250,000	\$90,426	\$0	\$4,250,000	\$90,426
Soft Costs	\$501,275	\$10,665	\$108,780	\$610,055	\$12,980
Financing	\$464,907	\$9,892	\$2,438	\$467,345	\$9,944
Developer Fee	\$1,117,000	\$23,766	(\$183,876)	\$933,124	\$19,854
Operating Reserve	\$195,765	\$4,165	\$3,417	\$199,182	\$4,238
Replacement Reserve Year 1 Deposit	\$94,000	\$2,000	\$56,000	\$150,000	\$3,191
Other Reserves	\$40,089	\$853	\$122,229	\$162,318	\$3,454
<b>Total Uses</b>	<b>\$8,959,860</b>	<b>\$190,635</b>	\$873,504	<b>\$9,833,364</b>	<b>\$209,221</b>

\$330,735 LIHTC @ \$0.93/credit

## Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$91,718	\$1,951	(\$29,721)	\$61,997	\$1,319
Appraisal Cap Rate	5.25%			5.25%	
Valuation	\$1,747,010	\$37,170	(\$566,110)	\$1,180,899	\$25,126
Loan Principal	\$430,000	\$9,149		\$430,000	\$9,149
LTV	24.61%		12%	36.41%	

## Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$209,221	
Residential Vacancy Rate	5%	
DCR Yr 1	2.49	
DCR Yr 15	1.10	Given actual vacancy rates, this deviation acceptable
NOI	\$61,997	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	36%	

Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	\$4,250,000	Confirmed via “as-is” appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$199,182	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$150,000	\$3,191 per unit

### Deviations from standard underwriting – Yes

The DSC is 1.10 in year 15. Given historically low vacancy rates and the ability to increase rents up to maximum LIHTC rents, staff determined that the deviation was acceptable.

Fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

### Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a	
				LIHTC Max Rent	% of LIHTC Max Rent
1	30%	5	\$ 1,023.00	\$ 486.00	210%
1	50%	5	\$ 813.00	\$ 811.00	100%
1	60%	3	\$ 930.00	\$ 973.00	96%
2	30%	3	\$ 1,214.00	\$ 584.00	208%
2	50%	12	\$ 946.00	\$ 973.00	97%
2	60%	9	\$ 1,061.00	\$ 1,168.00	91%
3	50%	6	\$ 1,122.00	\$ 1,125.00	100%
3	60%	2	\$ 1,350.00	\$ 1,350.00	0%
4	50%	1	\$ 1,240.00	\$ 1,255.00	99%
4	60%	1	\$ 1,506.00	\$ 1,506.00	0%
<b>Total</b>		<b>47</b>			

### Location of Scattered Sites

<b>Street</b>	<b>City/Town, State</b>	<b># of Units</b>
24 Mt. Hope Ave.	Bristol, RI	9
105 State St.	Bristol, RI	4
217 Wood St.	Bristol, RI	12
173 Wood St.	Bristol, RI	5
19 Lincoln Ave.	Bristol, RI	4
57 Elizabeth St.	Bristol, RI	3
266 Wood St.	Bristol, RI	6
328 Main St.	Warren, RI	4
		47

## 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,** the Board of Commissioners granted preliminary approval of tax-exempt and Capital Magnet Fund financing on August 19, 2021 and of HOME Program and HTF Program financing on May 20, 2021 for East Bay Community Development Corp. (“Applicant”) to acquire and/or rehabilitate the affordable housing to be known as Living East Bay (the “Development”);
- Whereas,** the Applicant is requesting firm approval of tax-exempt and mortgage financing for the Development as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Bonds</u>	<u>Taxable Permanent Mortgage</u>	<u>HOME Program</u>	<u>HTF Program</u>	<u>CMF</u>
Living East Bay	East Bay Community Development Corp.	\$4,750,000	\$430,000	\$714,500	\$800,000	\$785,000

- Whereas,** said bonds shall have a term not to exceed 36 months 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 East Bay Community Development Corp. or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$4,750,000 for rental housing known as Living East Bay located in Bristol and Warren, 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 tax-exempt bonds to finance up to \$4,750,000 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. This resolution shall take effect immediately upon adoption.
- Resolved,** that the Executive Director, Deputy Executive Director, Director of Finance, General Counsel, and the 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, subject to the special conditions listed below, RIHousing hereby grants firm approval for a taxable permanent financing loan to the Borrower, in an amount not to exceed \$430,000.00 for rental housing known as Living East Bay located in Bristol and Warren.
- Resolved,** that subject to the special conditions listed below, RIHousing hereby approves a HOME Investment Partnerships Program loan in an amount up to \$714,500.00 for rental housing known as Living East Bay located in Bristol and Warren.



**Resolved,** that subject to the special conditions listed below, RIHousing hereby approves a Housing Trust Fund Program loan in an amount up to \$800,000.00 for rental housing known as Living East Bay located in Bristol and Warren.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves a Capital Magnet Fund loan to the Borrower in an amount not to exceed \$785,000.00 for rental housing known as Living East Bay located in Bristol and Warren.

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

- Syndication proceeds from the sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Execution and delivery by the Applicant of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of management documentation;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants 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 Development each acting singly, are hereby authorized to take any and all actions they deem necessary to carry out the foregoing resolutions.