

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Living East Bay

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in the amount not to exceed \$4,750,000, a taxable permanent first mortgage of \$430,000 and a Capital Magnet Fund (“CMF”) loan of \$785,000 for Living East Bay (hereinafter referred to as “LEB” or the “Development”). LEB has already received preliminary approval for a HOME loan of \$714,015 and a Housing Trust Fund loan of \$800,000. East Bay Community Development Corp. (“East Bay” or the “Developer”) is the developer.

B. DISCUSSION

This preliminary 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 located in nine buildings sited 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. The majority of these buildings were constructed in the early 1900s, but one dates as far back as the 1800s.

The 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, the sale of LIHTCs, the CMF loan, a HOME loan, a Housing Trust Fund Loan, and two sponsor loans. 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 of existing debt plus accrued interest on these properties comprised primarily of Targeted Loans, HOME Program 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:

- 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.

By this RFA, staff recommends for approval the attached resolutions authorizing \$4,750,000 in tax-exempt financing, a taxable permanent loan of \$430,000, and a CMF loan for \$785,000 for LEB, subject to the conditions set forth therein.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

Attachment A

Credit Summary

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 financing qualified housing developments throughout the state;

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;

Whereas: RIHousing is also authorized to issue Capital Magnet Funds and taxable loans at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas: the applicant listed below (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Bonds</u>	<u>Taxable Permanent Mortgage</u>	<u>Capital Magnet Funds</u>
Living East Bay	East Bay Community Development Corp.	\$4,750,000	\$430,000	\$785,000

Whereas: staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies;

Whereas: RIHousing finds that:

(1) That there exists a shortage of decent, safe, and sanitary housing at rentals 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) That 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) That 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) That the proposed housing development to be assisted will be of public use and will provide a public benefit;

(5) That 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, 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 preliminary commitment for tax-exempt mortgage financing for East Bay Community Development Corp. or an affiliated entity (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, by tax-exempt bonds;

Resolved: that RIHousing hereby declares that this preliminary commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue 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 subject to the special conditions listed below, RIHousing hereby declares preliminary commitment for taxable permanent financing for the Borrower in an amount not to exceed \$430,000 for rental housing known as Living East Bay located in Bristol and Warren, Rhode Island:

Resolved: that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Capital Magnet Fund loan for the Borrower in an amount not to exceed \$785,000 for rental housing known as Living East Bay located in Bristol and Warren, Rhode Island;

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

- Syndication proceeds from the sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Approval by RIHousing of construction plans and specifications and construction documentation including an acceptable reserve analysis for the rehabilitation items not immediately undertaken following acquisition;
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market oriented and the first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Execution and delivery by the Developer 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;
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements; and

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.