

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Park Holm V (Newport)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in an amount not to exceed \$12,300,000 with \$2,313,000 remaining as a tax-exempt permanent first mortgage; (ii) HOME Investment Partnerships Program (“HOME”) funds in an amount not to exceed \$1,000,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$999,000; and (iv) Housing Trust Fund (“HTF”) funding in an amount not to exceed \$1,789,066 for Park Holm V (the “Development”). The Housing Authority of the City of Newport, Rhode Island (the “Developer”) is the developer.

B. DISCUSSION

Park Holm V is the fifth phase of a planned five-phase redevelopment of an existing 262-unit public housing development located in the City of Newport’s North End. This proposed phase involves the demolition of 20 units contained in 7 buildings and the new construction of 45 units in three buildings. The buildings are currently occupied, and residents will be relocated during construction. This last phase will complete the one for one replacement of the existing 262 public housing units, which is a requirement of the QAP, and moreover create one additional unit.

The 45 units in the Development will consist of 12 one-bedroom units, 27 two-bedroom units, two three-bedroom units, and four four-bedroom units. Area median income (“AMI”) will range from 30-60%. There will be 38 units with Project-Based Section 8 vouchers, and 7 units will have an Annual Contributions Contract subsidy. In addition, the RIHousing Board of Commissioners approved a Public Housing Authority Fund (“PHA Fund”) Loan in an amount not to exceed \$6,750,000 for the Development in November 2023. Phase V will incorporate all new site landscaping and infrastructure, including new parking areas, new interior streets, and walking paths. Existing overhead utilities will be relocated underground. The units will be constructed to Tier II Energy Star standards.

Similar to the previous phases, Boston Financial Investment Management will be the syndicator and their investor is Citizens Bank, N.A (“Citizens Bank”). As such, Citizens Bank will be the initial construction lender, which will delay the issuance our tax-exempt bond loan until 50% construction completion.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of (i) a tax-exempt construction loan in an amount not to exceed of \$12,300,000 with \$2,313,000 remaining as a tax-exempt permanent first mortgage; (ii) HOME Investment Partnerships Program (“HOME”) funds in an amount not to exceed \$1,000,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$999,000; and (iv) Housing Trust Fund (“HTF”) funding in an amount not to exceed \$1,789,066 for Park Holm V,

subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Park Holm V

Preliminary X

Firm _____

Date: May 16, 2024

Project: New construction of 45 units in Newport, Rhode Island.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Housing Authority of the City of Newport	Newport, RI	Low
Mortgagor	TBD		
Architect	Union Studio Architecture & Community Design, Inc.	Providence, RI	Low
Legal	Nicholson & Sampson, LLC	Newport, RI	Low
Management Agent	Housing Authority of the City of Newport, Rhode Island	Newport, RI	Low
General Contractor	TBD		Low
Consultant	TAG Associates, Inc.	Norwood, MA	Low
Syndicator	Boston Financial Investment Management	Boston, MA	Low

Executive Summary

Property Address	2-31 Eisenhower St.	Newport
Proposed Loan Amount(s) and Terms		
Tax Exempt Loan	\$12,300,000	
Construction/Bridge Loan	\$9,987,000	6.50%, 36 months
Permanent Loan	\$2,313,000	7.250%, 35 years
HOME Loan	\$1,000,000	0%, 40 years
HTF Loan	\$1,789,066	0%, 40 years
CMF Loan	\$999,000	1%, 40 years

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$2,313,000	51,400
PHA Fund	\$6,750,000	150,000
HACN CFP/RHF Funds	\$1,050,000	23,333
Capital Magnet Fund	\$999,000	22,200
HOME	\$1,000,000	22,222
Housing Trust Fund	\$1,789,066	39,757
LIHTC Proceeds	\$10,682,000	237,378
Deferred Development Fee	\$150,000	3,333
Total Sources	\$24,733,066	549,624
Uses	Amount	Per Unit
Construction	\$18,090,794	\$402,018
Contingency	\$904,540	\$20,101
Acquisition	\$1,000	\$22
Soft Costs	\$2,123,300	\$47,184
Financing	\$1,638,724	\$36,416
Developer Fee	\$945,000	\$21,000
Operating Reserve	\$466,900	\$10,376
Lease Up Reserve	\$187,000	\$4,156
Replacement Reserve Year 1 Deposit	\$18,000	\$400
Other Reserves	\$357,808	\$7,951
Total Uses	\$24,733,066	\$549,624

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$549,624	\$526,741 less reserves. The development is subject to Davis Bacon wages which increases construction costs and TDC
Residential Vacancy Rate	5%	Consistent with other phases for a fully subsidized project
DCR Yr 1	1.48	
DCR Yr 15	1.20	
NOI	\$268,872	
Income Trending	2%	
Expense Trending	3%	

Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	10%	Citizens Bank will be the initial construction lender
Acquisition Price equal to or less than Appraised value	N/A	Acquisition is \$1,000
Operating Reserve (Amt and confirm consistency with UW requirements)	\$466,900	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$18,000	\$400 per unit

Deviations from standard underwriting – Yes

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	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent	Discount from Market Rent
1	30%	4	\$ 756.67	\$ 694.00	109%	0.0%
1	50%	3	\$ 756.67	\$ 1,158.00	65%	0.0%
1	30%	1	\$ 1,678.00	\$ 694.00	242%	0.0%
1	50%	1	\$ 1,678.00	\$ 1,158.00	145%	0.0%
1	60%	3	\$ 1,678.00	\$ 1,389.00	121%	0.0%
2	30%	8	\$ 2,173.00	\$ 834.00	261%	0.0%
2	50%	6	\$ 2,173.00	\$ 1,390.00	156%	0.0%
2	60%	13	\$ 2,173.00	\$ 1,668.00	130%	0.0%
3	50%	1	\$ 2,480.00	\$ 1,605.00	155%	0.0%
3	60%	1	\$ 2,480.00	\$ 1,926.00	129%	0.0%
4	30%	1	\$ 3,000.00	\$ 1,074.00	279%	0.0%
4	50%	3	\$ 3,000.00	\$ 1,791.00	168%	0.0%
Total		45				0.0%

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 35 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 tax exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** the Housing Authority of the City of Newport, Rhode Island (“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>Mortgage</u>
Park Holm V	Housing Authority of the City of Newport, Rhode Island	\$12,300,000

<u>HOME Loan</u>	<u>HTF Loan</u>	<u>CMF Loan</u>
\$1,000,000	\$1,786,066	\$999,000

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

(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 the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$12,300,000 for rental housing known as Park Holm V located in Newport, 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, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$12,300,000 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, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of \$1,000,000 of HOME Investment Partnerships Program funding to the Borrower for rental housing known as Park Holm V to be located in Newport, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$999,000 for a Capital Magnet Fund Loan to the Borrower for rental housing known as Park Holm V to be located in Newport, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,786,066 of Housing Trust Fund funding to the Borrower for rental housing known as Park Holm V to be located in Newport, Rhode Island.

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

- Syndication equity from the sale of low-income housing tax credits in an amount sufficient to achieve project feasibility;
- Final HUD approval of the mixed financing proposal, including demolition and construction of new tax credit units within the existing Park Holm neighborhood;
- Approval of relocation plan;
- Final approval of Project Based Voucher contract and Public Housing Authority ACC rents;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- A construction loan with Citizens Bank, N.A. in an amount sufficient to achieve project feasibility;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan; and

- Completion of all items required for 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.