

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Pine View Apartments

A. PROJECT SUMMARY

This Request for Action is for firm approval of financing for: (i) a \$7,250,000 tax-exempt construction to permanent loan, (ii) a \$625,000 Capital Magnet Fund (“CMF”) loan, (iii) a HOME Investment Partnerships Program (the “HOME Program”) loan in the amount of \$1,459,000, and (iv) a Housing Trust Fund (“HTF”) loan in the amount of \$515,000 for Pine View Apartments (“PVA” or the “Development”). Women’s Development Corporation (“WDC” or the “Developer”) proposes the new construction of 40 affordable apartments at the Development located in Exeter.

The site of the Development is a 7.6-acre parcel of land nestled on two sides by preserved wooded wetlands on South County Trail (Rt.2) and immediately adjacent to the Oak Harbor Village commercial center. Of the 40 units, three units will be restricted to 30% of area median income (“AMI”), five units will be restricted to 50% AMI and 32 will be restricted to 60% AMI. There will be eight project-based vouchers (“PBV”) provided by the Coventry Housing Authority. The 40 units will increase the percentage of affordable housing in the Town of Exeter from 2.4% to nearly 4%.

B. DISCUSSION

Jade Investment Group, Inc. (“JIG”) was the original land developer and received master approval in 2014 and firm approval in 2016 for a project with 75% market-rate and 25% affordable units. In 2018, WDC entered into a purchase and sale agreement with JIG and received approval from the Town to modify the development to 100% affordable. WDC took title to the property in June of 2020 utilizing a landbank loan from Rhode Island Housing and Mortgage Financing Corporation (“RIHousing”). In October of 2020, WDC repaid the landbank loan with Building Homes Rhode Island (“BHRI”) funds. JIG retains ownership of the abutting parcel and there is a permanent easement in place to provide PVA with access to JIG’s public/community well.

The project is a planned residential community consisting of 34,700 square feet of total living area spread across 10 two-story wood-framed buildings. Each building contains four units arranged in pairs, so that each pair shares storage and laundry facilities. The individual living units have an efficient and simple floor plan, resulting in one-bedroom and two-bedroom units of 615 to 760 square feet. Two units are designed to be handicapped accessible. A minimum of two parking spaces are available for each apartment.

Following RIHousing preliminary approval, WDC engaged a geotechnical study and was able to consolidate the septic design and fire suppression systems. While the redesign was more efficient, geotechnical surveys revealed that additional site work would be needed. Combined with recent increases in construction material, these factors have resulted in a construction cost increase of more than \$700,000 or about 9%.

Since preliminary approval, the National Equity Fund (“NEF”) lowered their low- income housing tax credit (“LIHTC”) pricing from \$0.956 to \$0.92 per credit. However, when Congress fixed the applicable rate on the 4% LIHTC at 4%, the LIHTCs available for the project increased, resulting in \$1.2 million in additional equity for the transaction. This year, RIHousing has seen equity pricing drop on several projects, mainly attributable to the overall increase in the supply of 4% credits.

In addition to the increase in construction costs and decrease in equity pricing, the stabilized operating expenses increased, which reduced the loan size. To minimize the impact of the loan reduction and in consideration of current market conditions, RIHousing lowered the interest rate on the permanent loan from 5.25% to 4.25%. Additional gap filler came from boosting eligible basis with a deferred incentive developer fee to generate more LIHTCs, reducing construction contingency from 10% to 7%, and a \$100,000 reduction in land acquisition.

C. FINANCING

WDC is proposing to finance the transaction with funds from the following sources: (i) a tax-exempt construction to permanent loan, (ii) equity generated from the sale of 4% LIHTCs, (iii) a deferred developer fee, (iv) a BHRI loan from the State of Rhode Island Housing Resources Commission, (v) HOME Program funds, (vi) a HTF loan, and (vii) a CMF loan.

During construction, RIHousing will issue tax-exempt bonds in an amount not to exceed \$7,250,000, which includes both the permanent loan and a bridge loan to assist in: (i) meeting the 50% test needed to be eligible to generate 4% LIHTCs on all units, and (ii) bridging the LIHTC equity in order to increase the pricing of the tax credits. A recourse guarantee for the bridge loan will be required. The permanent loan will be amortized over 40 years.

This Request for Action seeks firm approval of a total of \$7,250,000 of tax-exempt bond financing, which consists of a \$5,250,000 bridge loan and a \$2,000,000 permanent loan, a CMF loan of \$625,000, a HOME Program loan of \$1,459,000 and an HTF Loan of \$515,000.

D. RECOMMENDATION

The attached resolution for firm approval of financing for Pine View Apartments is recommended for approval subject to:

- Syndication equity from the sale of LIHTCs in an amount sufficient to achieve project feasibility.
- Approval from the Town of Exeter verifying real estate tax assessment at no more than 8% of Gross Potential Income.
- Execution of an Agreement to Enter into a Housing Assistance Payments (“HAP”) contract by the Coventry Housing Authority for eight project-based vouchers.

- Approval by RIHousing of the final scope of work, construction plans, specifications, and supporting construction documentation.
- Approval of the final operating budgets for the Development.
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Approval by bond underwriter and bond counsel that the tax-exempt loan will satisfy all required financing provisions.
- Full construction completion and repayment guarantees from the Borrower, including guarantees for bridge loan repayment, cost overruns and/or equity shortfalls.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage loan.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

E. ATTACHMENTS

- A.** Development Summary
- B.** Term Sheet
- C.** Resolutions
- D.** Site Location Maps

Attachment A
Development Summary

A. Development Team

1. **Sponsor:** Women's Development Corporation
861A Broad Street
Providence, RI 02907
2. **Architect:** Union Studio Architecture & Community Design, Inc.
140 Union Street
Providence, RI 02903
3. **General Contractor:** STAND Corporation
105 Pennsylvania Avenue
Warwick, RI 02888
4. **Legal:** McGunagle Hentz, PC
2088 Broad Street
Cranston, RI 02905
5. **Management Agent:** Housing Opportunities Corporation
861A Broad Street
Providence, RI 02907

C. Development Team Qualifications

Sponsor/Mortgagor

Since 1979, Women's Development Corporation ("WDC") has developed nearly 2,000 units of affordable housing, including over 200 units of supportive housing throughout the state. In 2017, they completed Dean Street which contains 51 units of housing for chronically homeless individuals and office space for The Kent Center's Housing First Program. WDC is completing construction of Shannock Village, a 9% LIHTC development in Charlestown and Richmond, Rhode Island lead by Charlotte Thomas-Davison, WDC's Senior Project Manager. Ms. Thomas-Davison is also spearheading the project management for Pine View Apartments. Frank Shea currently serves as the Interim Executive Director and WDC has recently hired an additional project manager to assist with real estate development activities.

Architect

Union Studio Architecture & Community Design, Inc. ("USA") is an architectural firm based in Rhode Island. They have designed both new construction and substantial rehabilitation developments for multiple projects in the RIHousing portfolio. They are currently providing architectural services for two new construction projects funded with 9% LIHTC. Their RIHousing portfolio includes Dean Street Studios, Palmer Pointe and Shannock Falls which are all under construction, as well as developments in Providence, Barrington, Tiverton and North Kingstown. Union Studios has experience working with RIHousing's development staff and is familiar with its requirements.

General Contractor

STAND Corporation (“STAND”) is a full-service general contracting firm that has previous construction experience with RIHousing financed developments. The principals are Ron Caniglia and Craig Sutton. STAND’s portfolio includes commercial, residential, retail, healthcare and educational facilities. STAND has completed numerous affordable housing projects in various communities across the State of Rhode Island.

Legal

McGunagle Hentz, PC is a law firm based in Rhode Island led by Kenneth F. McGunagle, Jr. Esq. Mr. McGunagle has extensive experience in affordable housing and land use. Counsel is familiar with the requirements of the regulatory agencies and provided legal services to WDC on their Shannock Falls transaction.

Management Agent

Housing Opportunities Corporation (“HOC”) is a WDC affiliated entity. HOC manages all of WDC’s properties. In addition to site personnel, HOC administrative staff includes management, finance and maintenance directors each of whom have been with HOC for many years. HOC is familiar with a wide variety of federal and state housing programs as well as the requirements of RIHousing.

D. Unit Distribution and Revenue

PVA will contain 40 affordable apartments comprised of five one-bedroom and 35 two-bedroom residences.

Bedrooms	Units	AMI	Gross Rents				% of Max Rent
			LIHTC	PBV	Market	Underwriting	
1	2	30%	\$486	\$988	\$1,365	\$988	100%
1	3	50%	\$811	\$988	\$1,365	\$988	100%
2	1	30%	\$584	\$1,183	\$1,450	\$1,183	100%
2	2	50%	\$973	\$1,183	\$1,450	\$1,183	100%
2	32	60%	\$1,168	N/A	\$1,450	\$1,135	97%
Total	40		\$43,311	\$8,489	\$57,575	\$44,809	

Staff utilized the 2021 60% LIHTC rents as indicated in the rental grid. Eight of the 40 units will be subsidized by project-based vouchers (“PBV”) allocated by the Coventry Housing Authority which will provide rents at 110% of fair market rents.

E. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$2,150,000	\$53,750	(\$150,000)	\$2,000,000	\$50,000
LIHTC Proceeds	\$3,232,534	\$80,813	\$1,208,234	\$4,440,768	\$111,019
Deferred Developer Fee	\$374,703	\$9,368	\$362,431	\$737,134	\$18,428
Building Homes Rhode Island	\$4,640,000	\$116,000	\$0	\$4,640,000	\$116,000
HOME	\$1,459,000	\$36,475	\$0	\$1,459,000	\$36,475
Housing Trust Fund	\$515,000	\$12,875	\$0	\$515,000	\$12,875
Capital Magnet Fund	\$625,000	\$15,625	\$0	\$625,000	\$15,625
Total Sources	\$12,996,237	\$324,906	\$1,420,766	\$14,417,002	\$360,425

Uses	Amount		Delta	Amount	
	Per Unit	Per Unit		Per Unit	Per Unit
Construction	\$7,825,828	\$195,646	\$730,314	\$8,556,142	\$213,904
Contingency	\$785,452	\$19,636	(\$186,522)	\$598,930	\$14,973
Acquisition	\$1,340,000	\$33,500	(\$100,000)	\$1,240,000	\$31,000
Soft Costs	\$1,015,818	\$25,395	\$382,404	\$1,398,222	\$34,956
Financing	\$708,188	\$17,705	\$208,808	\$916,995	\$22,925
Developer Fee	\$1,072,000	\$26,800	\$385,833	\$1,457,833	\$36,446
Operating Reserve	\$203,956	\$5,099	(\$505)	\$203,451	\$5,086
Replacement Reserve	\$15,000	\$375	\$0	\$15,000	\$375
Other Reserves	\$29,995	\$750	\$434	\$30,429	\$761
Total Uses	\$12,996,237	\$324,906	\$1,420,766	\$14,417,002	\$360,425

\$482,620 LIHTC @ \$.92/credit

Attachment B

Permanent Financing Term Sheet Pine View Apartments

Borrower:	Women's Development Corporation or an affiliated partnership or limited liability company.
Rents:	The underwriting rents will be set at the lower of current market or HAP rents and at the lower of current market or 2021 LIHTC rents as determined by an appraisal commissioned by RIHousing.
Insurance:	50% FHA Risk Share Insurance on the permanent first mortgage loan.
Mortgage Term:	The permanent first mortgage term will amortize over 40 years.
Permanent Loan Rate:	The rate on the loan will be determined at the time of the loan closing based on market conditions. The current underwriting rate is 4.25%.
Collateral:	The Borrower will furnish, as security for the Loan, a first mortgage covering the premises and a collateral assignment of the rents and leases.
Loan to Value Ratio:	The RIHousing permanent first mortgage may not exceed 90% of the as-stabilized value, subject to the lesser of market rents or contract rents as determined by an independent appraisal.
Debt Service Coverage:	The required debt service coverage ratio for sizing the supportable first mortgage is 1.15.
Loan Fee:	At or before closing, Borrower shall remit to RIHousing a permanent loan origination fee equal to 2% of the permanent loan. The Borrower shall remit a bridge loan origination fee equal to 1% of the bridge loan.
Third Party Fees:	The Borrower shall be responsible for paying any and all of RIHousing's third party fees required to complete the due diligence review and close the transaction including cost of issuance for the bonds. Costs may be capitalized in the development budget.
Replacement Reserves:	The Borrower shall capitalize a new replacement reserve account equivalent to \$375 per unit. The Borrower shall make monthly deposits to a replacement reserve, held by Lender, in

an amount equal to \$375 per unit. The Lender reserves the right to increase the annual reserve contribution over the term of the loan due to inflation.

Operating Reserve:

The Borrower shall capitalize an operating reserve at final closing in a total amount not less than six months' debt and six months' operating expenses.

Insurance Escrow:

The Borrower shall make monthly deposits to an insurance escrow, held by Lender, equal to one-twelfth of the accruing insurance premiums.

Tax Escrow:

The Borrower shall make monthly deposits to a tax escrow, held by Lender, equal to one-twelfth of the accruing real estate taxes.

ATTACHMENT C

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 of Rhode Island;

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, the applicant (“Applicant”) listed below has presented an application to RIHousing requesting mortgage financing to acquire and develop the buildings as set forth below:

Applicant	Development	Tax Exempt Loan	Capital Magnet	HOME Program	HTF
Women’s Development Corporation	Pine View Apartments	\$7,250,000	\$625,000	\$1,459,000	\$515,000

Whereas, staff has reviewed the submission of the Applicant for mortgage financing 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 pursuant to the provisions of this chapter 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 Rhode Island Housing and Mortgage Finance Corporation 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 firm commitment for tax-exempt mortgage financing for Women's Development Corporation or an affiliated entity (the "Borrower") in an amount not to exceed \$7,250,000 for rental housing known as Pine View Apartments located in Exeter to be financed, in part, by 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 up to \$7,250,000 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 authorizes firm approval of a Capital Magnet Fund Loan to the Borrower in an amount not to exceed \$625,000 for rental housing to be located in Exeter, Rhode Island and known as Pine View Apartments;

Resolved, that, subject to the special conditions listed below, RIHousing hereby authorizes firm approval of a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,459,000 for rental housing to be located in Exeter, Rhode Island and known as Pine View Apartments;

Resolved, that, subject to the special conditions listed below, RIHousing hereby authorizes firm approval of a Housing Trust Fund Loan to the Borrower in an amount not to exceed \$515,000 for rental housing to be located in Exeter,

Rhode Island and known as Pine View Apartments;

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

- Syndication equity from the sale of LIHTCs in an amount sufficient to achieve project feasibility.
- Approval from the Town of Exeter verifying real estate tax assessment at no more than 8% of Gross Potential Income.
- Execution of an Agreement to Enter into a Housing Assistance Payments (“HAP”) contract by the Coventry Housing Authority for eight Project-Based Vouchers.
- Approval by RIHousing of the final scope of work, construction plans, specifications, and supporting construction documentation.
- Approval of the final operating budgets for the Development.
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Approval by bond underwriter and bond counsel that the tax-exempt loan will satisfy all required financing provisions.
- Full construction completion and repayment guarantees from the Borrower, including guarantees for bridge loan repayment, cost overruns and/or equity shortfalls.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage loan.
- 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 and directed to take any and all actions they deem necessary and appropriate to carry out the foregoing resolutions.

Attachment D Site Location Map

Pine View Apartments

