

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Pocasset Manor (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 \$16,000,000, of which \$8,550,000 will remain as a permanent first mortgage for Pocasset Manor (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 May 16, 2024 (“Preliminary Approval”) as part of a combined preservation deal with another project.

**B. DISCUSSION**

Pocasset Manor is an 11-story, 82-unit senior housing development built in 1982 consisting of 71 one-bedroom and 11 two-bedroom units. Pocasset Manor is in the Silverlake neighborhood in Providence. All 82 units will be restricted to families earning up to 60% of Area Median Income (“AMI”).

The initial 15-year low-income housing tax credit (“LIHTC”) compliance period ended in December 2021 with the original tax credit investor exiting the partnership in June 2022. Pocasset Manor has a Section 8 Project-Based contract (“HAP Contract”), and as part of this transaction, it has received a new 20-year HAP Contract with rents marked up to the market.

At Preliminary Approval, Pocasset Manor was part of a combined preservation deal with Hillside Village Apartments, another POAH property. POAH has now determined that the two properties should remain as stand-alone developments, primarily due to the rehabilitation requirements of the two sites. The Development underwent a comprehensive rehabilitation in 2005 to increase energy efficiency; therefore, the rehabilitation plan for this refinance is relatively simple and straightforward. POAH anticipates a 12-month construction timeline and a construction budget of \$113,000 per unit. The scope of work includes, but is not limited to, unit upgrades to kitchens, baths, and finishes. Additional communitywide renovations and improvements will include a new roof, full building Wi-Fi, new washers and dryers, and elevator modernization.

In addition, POAH received a small Green and Resilient Retrofit Program (“GRRP”) grant for Pocasset Manor, which will be used for additional green and energy efficiency upgrades. The \$519,800 GRRP award scope of work includes a VRF system serving the community room, management offices, and first floor common spaces, which replaces heating loads from the existing oil-fired heating system, as well as an electric heat pump that will remove hot water production from the oil heating boilers. In light of recent federal actions, POAH has submitted an alternative proposal that does not include GRRP funds. According to their proposal, if the GRRP funding is not available when this work is scheduled to be completed, POAH will

utilize a combination of remaining contingency, additional income from operations, and a seller loan to ensure the scope of work is completed.

The syndicator will be Boston Financial Investment Management (“BFIM”), and their investor is Citizens Bank. BFIM is paying \$.97 per credit.

The overall capital stack includes (i) a RIHousing first mortgage, (ii) equity from the sale of 4% LIHTC, (iii) deferred developer fee, (iv) a seller loan, (v) Existing POAH mortgage assumption, (vi) a GRRP grant or alternative funding, and (vii) Cash Flow from operations.

This RFA requests firm approval of an amount not to exceed \$16,000,000 in tax-exempt financing, of which \$8,550,000 will remain as permanent debt, subject to certain conditions as outlined in the attached Resolution.

**B. ATTACHMENTS**

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

## Attachment A

### Credit Summary

#### Approval Loan Recommendation Summary – Pocasset Manor

Preliminary \_\_\_\_\_

Firm   X  

Date: February 20, 2025

**Project:** Preservation of 82 units containing a mix of 71 one-bedroom and 11 two-bedroom units.

#### Development Team

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

#### Executive Summary

	Address	City
Property Address	20 Kelley Street	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$16,000,000	
Construction/Bridge Loan	\$7,450,000	7.21%/ 24 months
Permanent First Mortgage	\$8,550,000	6.85%/ 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	\$837,249	10,210	(\$67,674)	\$769,575	\$9,385
Appraisal Cap Rate	5.75%			5.75%	
Valuation	\$14,560,852	177,571	(\$1,176,948)	\$13,383,905	\$163,218
Loan Principal	\$8,550,000	104,268		\$8,550,000	\$104,268
LTV	58.72%		5%	63.88%	

## Proposed Sources & Uses:

At the time of application and preliminary approval, Pocasset Manor was part of a combined deal with Hillside Village Apartments. 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 Pocasset Manor as a standalone deal.

Sources	Firm	
	Amount	Per Unit
RIH First Mortgage	\$8,550,000	\$104,268
LIHTC Proceeds	\$11,678,756	\$142,424
Deferred Development Fee	\$2,073,749	\$25,290
Seller Loan-Acquisition Equity	\$3,935,633	\$47,996
Existing POAH Mortgage Assumption	\$5,128,233	\$62,539
GRRP (or alternative)	\$519,800	\$6,339
Existing Reserves and Cash Flow From Operations	\$1,542,859	\$18,815
<b>Total Sources</b>	<b>\$33,429,030</b>	<b>\$407,671</b>

Uses	Firm	
	Amount	Per Unit
Construction	\$9,273,600	\$113,093
Contingency	\$912,360	\$11,126
Acquisition	\$13,690,000	\$166,951
Soft Costs	\$1,836,736	\$22,399
Financing	\$2,072,277	\$25,272
Developer Fee	\$4,167,746	\$50,826
Operating Reserve	\$913,129	\$11,136
Replacement Reserve Year 1 Deposit	\$307,500	\$3,750
Other Reserves	\$255,682	\$3,118
<b>Total Uses</b>	<b>\$33,429,030</b>	<b>\$407,671</b>

\$1,207,955 LIHTC @ \$.970/credit.

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	\$407,671	\$389,667 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.23	
DCR Yr 15	1.32	
NOI	\$769,575	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	58.72%	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$913,129	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$307,500	\$3,750/unit

**Deviations from standard underwriting – None**

**Unit Distribution and Revenue**

<b>Unit</b>	<b>Rent Type</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>LIHTC Max Rent</b>	<b>Gross Rent as a % of LIHTC Max Rent</b>	<b>Discount from Market Rent</b>
1	60%	71	\$ 2,000.00	\$ 1,265.00	158%	0.0%
2	60%	11	\$ 2,450.00	\$ 1,518.00	161%	0.0%
<b>Total</b>		<b>82</b>				<b>0.0%</b>

RIHousing will underwrite 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 May 16, 2024, 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 Pocasset Manor (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>
Pocasset Manor	Preservation of Affordable Housing, Inc.	\$16,000,000

- 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 \$16,000,000 for rental housing known as Pocasset Manor 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 \$16,000,000 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;
- 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.