

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Pine View Apartments

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of tax-exempt financing in an amount not to exceed \$7,000,000 for Pine View Apartments (“PVA” or the “Development”) and a Capital Magnet Fund (“CMF”) loan of \$625,000. Women’s Development Corporation (“WDC” or the “Developer”) proposes the new construction of 40 affordable apartments located in Exeter, comprised of 5 one-bedroom and 35 two-bedroom residences.

The site is a 7.6-acre parcel of land nestled on 2 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, 3 units will be restricted to 30% of area median income (“AMI”), 5 units will be restricted to 50% AMI and 32 will be restricted to 60% of AMI. There will be 8 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% of all households to nearly 4%.

B. DISCUSSION

Jade Investment Group, Inc. (“JIG”) was the original land developer and received master plan approval in 2014 and preliminary approval in 2016 from the Town of Exeter 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 of Exeter to modify the Development to 100% affordable. The acquisition price, \$1,440,000, includes the land plus the seller’s cost for the land entitlements and initial site clearing/site work.

Under the Rhode Island Housing and Mortgage Financing Corporation’s (“RIHousing”) Land Bank Program, RIHousing took title to the property in June of this year for the appraised value of \$900,000. WDC has an agreement with JIG for the balance of the acquisition price that is subject to certain approvals and the availability of funds. JIG will retain ownership of the abutting parcel with a permanent easement in place to provide PVA with access to JIG’s public well. Once the U.S. Department of Housing and Urban Development (“HUD”) required environmental review is complete in early September, WDC will take title to the property through a RIHousing Land Bank bridge loan.

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 4 units arranged in pairs, so that each pair shares storage and laundry facilities. The individual living units have an efficient and simple plan, resulting in one-bedroom and two-bedroom units of 615 to 760 square feet. A minimum of 2 units (5%) of the proposed 40 units at PVA will be designed to be handicapped accessible. A minimum of 2 parking spaces are available

for each apartment. The original design by JIG was intended for condominium resale and included 2 septic systems for each building. Following preliminary approval, WDC will engage a geotechnical study and consolidate the septic design and underground fire suppression cisterns in order to reduce the construction and maintenance costs.

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 allocation of 4% low-income housing tax credits (“LIHTC”), (iii) a deferred developer fee, (iv) a Building Homes Rhode Island (“BHRI”) loan from the State of Rhode Island Office of Community Development Housing Resources Commission (“HRC”), (v) a HOME Investment Partnership Program (“HOME”) loan, (vi) a Housing Trust Fund Program (“HTF”) loan, and (vii) a CMF loan. WDC has received 2 letters of intent to purchase the LIHTC from Red Stone Equity Partners and the National Equity Fund in the range of \$0.92 to \$0.956 per tax credit, respectively.

During construction, RIHousing will issue tax-exempt bonds in an amount not to exceed \$7,000,000, 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% LIHTC on all units, and (ii) to bridge 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 RFA seeks preliminary approval of a tax-exempt loan in an amount of up to \$7,000,000 of which \$2,150,000 will remain as permanent debt, and a CMF loan of \$625,000.

D. RECOMMENDATION

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

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility.
- The award of HOME and HTF funds in amounts sufficient to make the project feasible, or the availability of alternative equity satisfactory to RIHousing.
- Acceptable final appraisal and market study by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Approval from the Town of Exeter verifying real estate tax assessment at no more than 8% of gross potential income.
- Approval by RIHousing of the proposed general contractor.
- Approval of a final operating budget for the Development.
- Approval by RIHousing of management documentation including marketing and lease-up plans.
- Approval by RIHousing of the final scope of work, construction plans, specifications, and supporting construction documentation.

- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage loan.
- Approval by bond underwriter and bond counsel that the loan will satisfy all bond requirements.
- Execution of a construction completion guarantee from WDC that includes a guarantee of bridge loan repayment, cost overruns and/or equity shortfalls.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

D. 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:** TBD
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, WDC 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, RI. Dean E. Harrison, Director of Real Estate Development, has over 29 years of experience in all phases of real development and financing of affordable housing. WDC is seeking a new Executive Director but has significant staff capacity with a development team and affiliated property management group.

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 2 new construction projects funded with 9% LIHTC. Their RIHousing portfolio includes Dean Street Studios, Palmer Pointe and Shannock Falls, which are both 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.

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 and is familiar with the requirements of the regulatory agencies. The firm 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 5 one-bedroom and 35 two-bedroom residences

Beds	Units	AMI	PBV	Underwriting*	60% LIHTC*		
					2019	2020	UW/2019
1	2	30%	Yes	\$987	\$922	\$978	107%
1	3	50%	Yes	\$987	\$922	\$978	107%
2	1	30%	Yes	\$1,182	\$1,107	\$1,174	107%
2	2	50%	Yes	\$1,182	\$1,107	\$1,174	107%
2	32	60%	No	\$1,107	\$1,107	\$1,174	100%
Total / Avg	40	56.5%		\$43,905	\$43,355	\$45,980	101%

**Gross Rents*

Staff utilized the 2019 60% LIHTC rents (versus 2020 which were significantly higher) as indicated in the rental grid. Eight (8) 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	
	Amount	Per Unit
RIH First Mortgage	\$2,150,000	\$53,750
LIHTC Proceeds	\$3,232,534	\$80,813
Deferred Developer Fee	\$374,703	\$9,368
Building Homes Rhode Island	\$4,640,000	\$116,000
HOME	\$1,459,000	\$36,475
Housing Trust Fund	\$515,000	\$12,875
Capital Magnet Fund	\$625,000	\$15,625
Total Sources	\$12,996,237	\$324,906
Uses	Amount	Per Unit
Construction	\$7,825,828	\$195,646
Contingency	\$785,452	\$19,636
Acquisition	\$1,340,000	\$33,500
Soft Costs	\$1,015,818	\$25,395
Financing	\$708,188	\$17,705
Developer Fee	\$1,072,000	\$26,800
Operating Reserve	\$203,956	\$5,099
Replacement Reserve Year 1 Deposit	\$15,000	\$375
Other Reserves	\$29,995	\$750
Total Uses	\$12,996,237	\$324,906

\$338,165 of 4% LIHTC @ \$0.956/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 for units receiving HAP at the lower of current market or HAP rents and for units with LIHTC at the lower of current market or 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 5.25%.
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 6 months debt and 6 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 tax premiums.

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;
- 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:

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Loan</u>	<u>Capital Magnet Fund</u>
Pine View Apartments	Women’s Development Corporation	\$7,000,000	\$625,000

- 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:
- (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 Rhode Island Housing and Mortgage Finance Corporation 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 authorizes preliminary approval of tax-exempt mortgage financing for Women’s Development Corporation or an affiliated entity (the “Borrower”) in an amount not to exceed \$7,000,000 for rental housing known as Pine View Apartments (the “Development”) located in Exeter 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 \$7,000,000 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. This resolution shall take effect immediately upon adoption;

Resolved, that, subject to the special conditions listed below, RIHousing hereby authorizes preliminary approval of a Capital Magnet Fund loan (the “CMF Loan”) to the Borrower in an amount not to exceed \$625,000 for the Development;

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

- Syndication equity from the allocation of low-income housing tax credits in an amount sufficient to achieve project feasibility.
- The award of HOME Investment Partnerships Program and Housing Trust Fund Program funds in amounts sufficient to make the project feasible, or the availability of alternative equity satisfactory to RIHousing.

- Acceptable final appraisal and market study by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Approval from the Town of Exeter verifying real estate tax assessment at no more than 8% of gross potential income.
- Approval by RIHousing of the proposed general contractor.
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- Approval by RIHousing of management documentation including marketing and lease-up plans.
- Approval by RIHousing of the final scope of work, construction plans, specifications, and supporting construction documentation.
- FHA Risk-Sharing approval from the U.S. Department of Housing and Urban Development (“HUD”) for a minimum of 50% of the first mortgage loan.
- Approval by bond underwriter and bond counsel that the loan will satisfy all bond requirements.
- Execution of a construction completion guarantee from the Borrower that includes a guarantee of bridge loan repayment, cost overruns and/or equity shortfalls.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

Resolved, that the Executive Director, the Deputy Executive Director, or the Director of Development, each acting singly, shall take any and all actions they deem necessary to carry out the foregoing resolutions.

Attachment D Site Location Map

Pine View Apartments

