

**Request for Action  
by  
Board of Commissioners**

**Preliminary Approval of Financing for Sutton Place**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage in the amount of \$1,315,000 for Sutton Place (the “Development”). Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB” or the “Developer”) is the developer.

**B. DISCUSSION**

ONENB has an option to purchase an existing 36-unit market rate property through an arms’ length transaction. The purchase price is \$3,420,000 or \$95,000 per unit. The Development is located on Sutton Street in the Riverside neighborhood of East Providence within walking distance of the eastside of Providence.

The seller of the property currently charges rents below 80% of the area median income (“AMI”), and therefore, the property is considered naturally occurring affordable housing (“NOAH”). As part of this proposed transaction, the units will be permanently restricted to households with incomes between 30% and 80% of the AMI. These restrictions will ensure affordability over the long term as the neighborhood around the property gentrifies and the market rents increase. ONENB intends to invest \$1.1 million or nearly \$32,000 per unit to renovate individual apartments as well as the common areas.

The Development consists of 2 nearly identical buildings constructed in 1970, located on a single tax lot. There is a large surface parking lot between the buildings. The buildings are in fair to average condition and contain 22 one-bedroom units (450 square feet (“SF”) each) and 14 studio units (375 SF each). Proposed exterior repairs include new roofs, all new windows, new landscaping, and the installation of a ramp with modifications to doors in one building to allow for ADA accessibility. Interior work will include new kitchens and bathrooms in the apartments along with new flooring, doors and painting.

The capital stack is comprised of the following sources: (i) a taxable first mortgage, (ii) a HOME Investment Partnerships Program (the “HOME Program”) loan, (iii) a Housing Trust Fund Program (the “HTF Program”) loan, (iv) a grant from the city of East Providence, (v) a Preservation Loan Fund Program loan (“PLF”) from the Affordable Housing Trust (“AHT”) and (vi) a deferred developer fee.

This RFA seeks preliminary approval of a RIHousing first mortgage in the amount of \$1,315,000.

## **D. RECOMMENDATION**

The attached resolution is recommended for approval subject to:

- The award of PLF Program funds in amounts sufficient to make the project feasible, or the availability of alternative equity satisfactory to RIHousing.
- The award of HOME Program and HTF Program funds in amounts sufficient to make the project feasible, or the availability of alternative equity satisfactory to RIHousing.
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating:
  1. The purchase price is supported and market oriented;
  2. The proposed affordable underwriting rents are attainable; and
  3. 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.
- Completion of a capital needs assessment (“CNA”), which indicates the proposed scope of work on the existing units is adequate.
- Approval by RIHousing of management documentation.
- FHA Risk-Sharing approval from U.S. Department of Housing and Urban Development 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.** Resolutions
- C.** Site Location Maps

**Attachment A  
Development Summary**

**A. Development Team**

- 1. Sponsor:** Olneyville Housing Corporation  
d/b/a ONE Neighborhood Builders  
66 Chaffee Street  
Providence, RI 02909
- 2. Mortgagor:** To be formed entity
- 3. Architect:** Ed Wojcik Architect, Ltd.  
One Richmond Square, Suite 100K  
Providence, RI 02906
- 4. Legal:** Lynch & Greenfield LLP  
116 Orange Street  
Providence, RI 02903
- 5. GC:** To be determined
- 6. Management Agent:** First Realty Management Corporation  
151 Tremont Street, PH 1  
Boston, MA 02111

**Development Team Qualifications**

***Sponsor/Mortgagor:***

Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONENB”) has been a driving force in the Olneyville neighborhood since 1988. They have developed rental apartments, commercial space and first-time homebuyer opportunities. ONENB has completed 4 low-income housing tax credit (“LIHTC”) rental developments with an additional project under construction. As a result of their merger with CommunityWorks RI in 2014, they have 8 LIHTC developments in their portfolio. Their homeownership developments include both single-family homes and Riverside Townhomes, a condominium development at the edge of Riverside Park. They are currently building 5 net zero homes adjacent to 60 King Street, a recently completed mill renovation. Currently, ONENB has approximately 400 apartments in their portfolio. They have played a central coordinating role in the revitalization and the stabilization of the Olneyville neighborhood.

Jennifer Hawkins has over 20 years of non-profit experience and has served as the Executive Director of ONENB for the past 3 years. Under Ms. Hawkins’ guidance, ONE NB has improved their financial position along with their asset management and development capacity.

## *Legal*

Lynch & Greenfield LLP is a small law firm located in Providence providing general legal services. Mark Greenfield has worked with ONE NB for 3 years and has worked with RIHousing on multiple real estate closings. Mr. Greenfield will serve as real estate attorney.

## *Architect*

Ed Wojcik Architect, Ltd. is a full-service architectural firm located in Providence, Rhode Island. Ed Wojcik began his own career in 1998 and has a history of completing projects in a timely fashion using a core group of consultants. The firm works on both residential and commercial developments. Some of the firm's current clients include the Pawtucket Housing Authority, West Bay Community Action, Inc., Smith Hill Community Development Corporation, Brown University, Rhode Island School of Design, Johnson and Wales University and the Coventry Housing Authority. Ed Wojcik has worked on previous RIHousing funded projects, most recently Coventry Crossroads in Coventry.

## *Management Agent*

First Realty Management Corporation ("FRM") is a full-service property management firm that has been active for over 50 years with over 7,000 residential units under management, including all of ONENB's existing portfolio. Within the affordable housing industry, they have a national and local reputation as a strong organization. They provide property management services for multiple developments in the RIHousing portfolio.

## **B. Unit Distribution and Revenue**

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		Discount from
				LIHTC Max Rent	% of LIHTC Max Rent	
EFF	80% LIHTC	9	\$ 1,000	\$ 1,148	87%	0.0%
1	80% LIHTC	7	\$ 1,125	\$ 1,230	91%	0.0%
1	60%	8	\$ 829	\$ 922	90%	0.0%
EFF	50%	3	\$ 646	\$ 717	90%	0.0%
1	30%	2	\$ 461	\$ 461	0%	0.0%
EFF	30%	2	\$ 864	\$ 430	201%	0.0%
1	30%	5	\$ 977	\$ 461	212%	0.0%
<b>Total</b>		<b>36</b>				<b>0.0%</b>

Market rents will be determined once RIHousing commissions an appraisal.

## Finance Summary

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$1,315,000	\$36,528
Preservation Loan Fund Program	\$1,080,000	\$30,000
EP Waterfront Funds	\$200,000	\$5,556
HOME	\$1,392,497	\$38,680
HTF	\$1,189,921	\$33,053
Deferred Dev Fee	\$65,903	\$1,831
<b>Total Sources</b>	<b>\$5,243,321</b>	<b>\$145,648</b>

Uses	Preliminary	
	Amount	Per Unit
Construction	\$1,037,804	\$28,828
Contingency	\$103,780	\$2,883
Acquisition	\$3,420,000	\$95,000
Soft Costs	\$140,095	\$3,892
Financing	\$47,900	\$1,331
Developer Fee	\$300,000	\$8,333
Operating Reserve	\$98,000	\$2,722
Replacement Reserve Year 1 Deposit	\$72,000	\$2,000
Other Reserves	\$23,742	\$659
<b>Total Uses</b>	<b>\$5,243,321</b>	<b>\$145,648</b>

**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; and

**Whereas:** RIHousing intends to provide taxable loan funds for the purpose of financing qualified housing developments throughout the state; and

**Whereas:** said loans shall have a term not to exceed 40 years and shall be in the approximate amount sufficient to finance the mortgage, pay any costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary; and

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

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>
Sutton Place	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	\$1,315,000

**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; and

**Whereas:** the Applicant intends to form a new entity to acquire Sutton Place; and

**Whereas:** RIHousing finds that:

(1) 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) 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) 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) the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) 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 taxable financing to the Applicant, or an affiliated entity, in an amount not to exceed \$1,315,000 for rental housing known as Sutton Place, located in East Providence, Rhode Island.

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

- The award of Preservation Loan Fund Program funds in amounts sufficient to make the project feasible, or the availability of alternative equity satisfactory to RIHousing.
- 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.
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating:
  1. The purchase price is supported and market oriented;
  2. The proposed affordable underwriting rents are attainable; and
  3. 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 Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing.
- Completion of a capital needs assessment (“CNA”), which indicates the proposed scope of work on the existing units is adequate.
- Approval by RIHousing of management documentation.
- FHA Risk-Sharing approval from U.S. Department of Housing and Urban Development 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, or the Director of Development each acting singly, shall take any and all actions they deem necessary to carry out the foregoing resolutions.



# Attachment C Site Location Map

