

**Request for Action
by
Board of Commissioners**

**Firm Approval of Financing
for Ralph R. aRusso Manor**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) for a taxable first mortgage in an amount not to exceed \$650,000, a Capital Magnet Fund (“CMF”) loan in the amount of \$400,000, and a Development of Affordable Housing 2 (“DAH-2”) loan in the amount of \$2,100,000 for Ralph R. aRusso Manor (hereinafter referred to as the “Development”). Rosemont Associates, Inc. is the developer (the “Developer”). The Development received preliminary approval for CMF and DAH-2 funds from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

B. DISCUSSION

Ralph R. aRusso Manor is an existing 22-unit affordable housing development in two adjacent buildings located at 150 Greenville Avenue in Johnston. The Development, which was originally constructed in 1990, has had little investment since and needs substantial rehabilitation. All 22 units are subsidized by a recently renewed 20-year project-based voucher (“PBV”) contract. All units are scheduled to be completely rehabilitated including new kitchens and bathrooms, new flooring, new interior and exterior doors, new baseboard heat, roofing, siding and windows, parking lot and drainage improvements, and restoration of the existing elevator. The tenants will be relocated during construction. The Developer is looking to refinance and preserve the project as affordable housing for the next 30 years.

The Development was previously awarded \$660,000 in Preservation Loan Program Funds which is being used to cover certain predevelopment costs and the rehabilitation of two vacant units in order to bring them back online.

The current owner is Rosemont Associates Limited Partnership (the “Partnership”). The current general partner is Rosemont Associates, Inc., which holds a 1% interest in the Partnership. The current investor limited partner is the Rhode Island Housing Equity Pool, L.P. (the “Equity Pool”), which holds a 99% limited partner interest. As part of this refinance, the Equity Pool will exit the partnership and transfer their interest to Forand Community Corporation (“Forand”), a non-profit affiliate of the general partner. The transfer would be consistent with the planned dissolution and liquidation of the Equity Pool as established by that certain September 18, 2014 resolution of the general partner of the Equity Pool, the RIH Equity Corporation. In addition, the RIH Equity Corporation has delegated certain decision-making and corporate authority to RIHousing officers pursuant to a resolution dated September 21, 2023 which would allow such officers to effectuate this transfer.

As part of the refinance, Forand or an affiliated entity will repay the existing senior loan and assume the existing Targeted Loan.

This RFA requests firm approval of a taxable first mortgage not to exceed \$650,000, a CMF loan of \$400,000, and a DAH-2 loan of \$2,100,000, as well as approval of the transfer of the limited partnership interest in Rosemont Associates, Inc. from the Equity Pool to Forand or its nominee, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

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

Attachment A

Credit Summary

Approval Loan Recommendation Summary – Ralph R. aRusso Manor

Preliminary _____

Firm X

Date: October 19, 2023

Project: Refinance and rehabilitation of an existing development containing 22 units of affordable housing within two buildings. There are 16 one-bedroom units and 6 one-bedroom accessible units all subsidized by a Section 8 Contract.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Rosemont Associates, Inc.	Johnston, RI	Low
Mortgagor	Forand Community Corporation or an affiliated entity	Johnston, RI	Medium
Architect	Branch Architects LLC	Providence, RI	Low
General Contractor	Pezzuco Construction, Inc.	Cranston, RI	Low
Legal	TBD		
Management Agent	Town of Johnston Housing Authority	Johnston, RI	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence, RI	Low

Executive Summary

	Address	City
Property Address	150 Greenville Avenue	Johnston, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest Rate/Term
Taxable First Mortgage*	\$626,087	7.89%/30 Years
Capital Magnet Fund	\$400,000	1% deferred
DAH 2 Funds	\$2,100,000	0% deferred

*The developer is seeking approval of a loan amount up to \$650,000 in case there are cost overruns.

Note: Interest rates are subject to change based on market conditions and deal specifics

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$632,000	\$28,727	(\$5,913)	\$626,087	\$28,459
Assumed Debt (Rollover)	\$237,166	\$10,780	\$0	\$237,166	\$10,780
Preservation Loan Fund Program	\$660,000	\$30,000	\$0	\$660,000	\$30,000
Capital Magnet Fund	\$400,000	\$18,182	\$0	\$400,000	\$18,182
DAH-2	\$2,100,000	\$95,455	\$0	\$2,100,000	\$95,455
Total Sources	\$4,029,166	\$183,144	(\$5,913)	\$4,023,253	\$182,875

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$2,660,800	\$120,945	(\$12,800)	\$2,648,000	\$120,364
Contingency	\$266,080	\$12,095	(\$1,280)	\$264,800	\$12,036
Acquisition	\$443,398	\$20,154	(\$26,824)	\$416,574	\$18,935
Soft Costs	\$318,136	\$14,461	\$32,925	\$351,061	\$15,957
Financing	\$42,000	\$1,909	\$0	\$42,000	\$1,909
Developer Fee	\$133,040	\$6,047	(\$640)	\$132,400	\$6,018
Operating Reserve	\$124,212	\$5,646	\$2,421	\$126,633	\$5,756
Replacement Reserve Year 1 Deposit	\$22,000	\$1,000	\$0	\$22,000	\$1,000
Other Reserves	\$19,500	\$886	\$285	\$19,785	\$899
Total Uses	\$4,029,166	\$183,144	(\$5,913)	\$4,023,253	\$182,875

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$85,927	\$3,906		\$85,358	\$3,880
Appraisal Cap Rate	6.00%			6.00%	
Valuation	\$1,432,117	\$65,096		\$1,422,630	\$64,665
Loan Principal	\$626,087	\$28,459		\$626,087	\$28,459
LTV	43.72%		0%	44.01%	

Underwriting Metrics:

Metric	Amount	Comment
TDC Per Unit	\$182,875	
Residential Vacancy Rate	5%	Project is fully occupied with the exception of 2 units currently under construction
DCR Yr 1	1.56	
DCR Yr 15	1.43	
NOI	\$85,358	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	43.93%	
Initial Installment (%) of	N/A	

syndication proceeds		
Acquisition Price equal to or less than Appraised value	Less Than	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$126,633	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$22,000	

Deviations from standard underwriting – Yes/No.

Yes, due to the substantial rehabilitation and scope of work, the project received approval to deposit \$1,000/unit as opposed to the required \$2,000/unit in the Replacement Reserve Account. Replacement Reserve Account remains positive through year 20.

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	50%	22	\$ 1,195.00	\$ 906.00	132%	0.0%
Total		22				0.0%

Attachment B

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

- Whereas,** under Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (as amended from time to time, the “TPA Regulations”), project owners must obtain RIHousing’s approval and comply with RIHousing’s administrative procedures for the transfer of physical assets before conveying, assigning or transferring any ownership interest in a multifamily housing project;
- Whereas,** Rosemont Associates, Inc. (the “Applicant”), the owner of Ralph R. aRusso Manor (the “Development”), seeks approval of the transfer of the limited partnership interest in Rosemont Associates Limited Partnership from Rhode Island Housing Equity Pool, L.P. (the “Equity Pool”) to Forand Community Corporation (“Forand”) or its nominee;
- Whereas,** staff has reviewed this request and determined that the proposed transaction complies with RIHousing’s requirements;
- Whereas,** staff has determined that this transfer approval would be consistent with the planned dissolution and liquidation of the Equity Pool as established by that certain September 18, 2014 resolution of the general partner of the Equity Pool, the RIH Equity Corporation; and with the Delegation of Corporate Authority granted by the RIH Equity Corporation on September 21, 2023;
- Whereas,** 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 provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;
- Whereas,** on May 18, 2023, the RIHousing Board of Commissioners granted approval of a Capital Magnet Fund loan for the Development, subject to the completion of the capital stack;
- Whereas,** on May 18, 2023, the RIHousing Board of Commissioners granted approval of a DAH-2 loan for the Development, subject to the completion of the capital stack;
- Whereas,** The Applicant is requesting firm approval of taxable first mortgage financing for the Development as set forth below:

Applicant	Development	Taxable Mortgage	Capital Magnet Fund	DAH-2
Rosemont Associates, Inc.	Ralph R. aRusso Manor	\$650,000	\$400,000	\$2,100,000

Whereas, the RIHousing Board of Commissioners and staff have reviewed the submission of Rosemont Associates, Inc. for mortgage financing and determined that the Development qualifies for financing under RIHousing’s enabling legislation, regulations, guidelines and policies; and

Whereas, RIHousing finds that:

- (1) there exists a shortage of decent, safe, and sanitary housing at rents 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 RIHousing enabling act, namely 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 first mortgage financing for Rosemont Associates, Inc. or other affiliated entity of Rosemont Associates, Inc. in an amount not to exceed \$650,000 for rental housing known as Ralph R. aRusso Manor located in Johnston, Rhode Island.

Resolved, that subject to the special conditions listed below, RIHousing hereby declares

firm commitment of a Capital Magnet Fund loan not to exceed \$400,000 for Rosemont Associates, Inc. or other affiliated entity of Rosemont Associates, Inc. for rental housing known as Ralph R. aRusso Manor located in Johnston, Rhode Island.

Resolved, that subject to the special conditions listed below, RIHousing hereby declares firm commitment of a DAH-2 loan not to exceed \$2,100,000 for Rosemont Associates, Inc. or other affiliated entity of Rosemont Associates, Inc. for rental housing known as Ralph R. aRusso Manor located in Johnston, Rhode Island.

Resolved, that the transfer of the limited partnership interest in the Development from the Equity Pool to Forand Community Corporation or its nominee be, and hereby is, approved, subject to the following terms and conditions;

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

- Receipt by RIHousing of all application materials required in Phases 2 and 3 of the TPA Regulations (see § 3.4 of the TPA Regulations) except for such requirements as may be waived or modified by the Executive Director, consistent with the nature of this transaction and protection of the interests of RIHousing;
- Receipt by RIHousing of the transfer Processing Fee, as defined in § 3.4 of the TPA Regulations, if applicable;
- Satisfaction of any additional requirements that the Executive Director believes to be necessary or advisable to protect the interests of RIHousing with respect to the Development;
- 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;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any other lender;
- Recording of a Regulatory Agreement in form(s) acceptable to RIHousing; 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, be and hereby are empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.