

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Riveredge Apartments**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for the firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$17,000,000.00 for Riveredge Apartments (hereinafter referred to as “Riveredge” or the “Development”). Cornell Management Corp., a Massachusetts corporation registered to do business in Rhode Island, is the developer (“CMC” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on June 17, 2021 (“Preliminary Approval”).

**B. DISCUSSION**

Riveredge Apartments is a six-story building with 89 one-bedroom and 10 two-bedroom apartments for elderly and disabled households. Amenities include a community room, business center, outside patio and sitting areas. The Section 8 HAP contract which covers all 99 units was recently renewed for 20 years with rents marked up to market.

CMC will undertake a \$6,100,000.00 rehabilitation of the property as part of this proposed transaction, an increase of \$1,100,000.00 from Preliminary Approval. While completing due diligence, some code and access issues were identified. Additionally, the cost to complete the original scope of work increased approximately \$1,400,000.00. The Developer has covered the increase utilizing a larger permanent loan, additional Low-Income Housing Tax Credits (“LIHTCs”), and solar credits, which will be sold to the syndicator.

This RFA requests firm approval of \$17,000,000.00 in tax-exempt financing, of which \$11,000,000.00 will remain as permanent debt 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 – Riveredge Apartments**

Preliminary \_\_\_\_\_

Firm  X

Date: November 3, 2021

**Project:** Preservation of 99 existing affordable elderly and handicapped apartments located in Providence comprised of 89 one-bedroom and 10 two-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Sponsor/Developer</b>	Cornell Management Corp.	Providence, RI	Low
<b>Mortgagor</b>	Riveredge Apartments, LP	Providence, RI	Low
<b>Architect</b>	Ed Wojcik Architect, Ltd.	Providence, RI	Low
<b>General Contractor</b>	Pariseault Builders, Inc.	Cranston, RI	Low
<b>Legal</b>	O’Leary Murphy LLC	Warwick, RI	Low
<b>Management Agent</b>	Cornell Management Corp.	New Bedford, MA	Low
<b>Syndicator</b>	Michel Associates, Ltd	Quincy, MA	Low

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	993 Manton Avenue	Providence
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Tax Exempt Loan	\$17,000,000.00	
Construction/Bridge Loan	\$6,000,000.00	3.875%, 24 months
Permanent Loan	\$11,000,000.00	3.875%, 40-year Amortization with a 17-year balloon

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	\$10,500,000	\$106,061	\$500,000	\$11,000,000	\$111,111
Sponsor (Dev Fee)	\$1,669,956	\$16,868	\$145,567	\$1,815,523	\$18,339
Seller Loan	\$1,511,158	\$15,264	(\$173,050)	\$1,338,108	\$13,516
Assumed Debt (Rollover)	\$217,319	\$2,195	\$0	\$217,319	\$2,195
Sponsor Loan	\$140,000	\$1,414	\$34,841	\$174,841	\$1,766
Sponsor Loan	\$0	\$0	\$56,455	\$56,455	\$570
LIHTC Proceeds	\$8,584,076	\$86,708	\$623,668	\$9,207,744	\$93,008
Solar Credits of \$103,952	\$0	\$0	\$95,636	\$95,636	\$966
Existing Reserves	\$846,491	\$8,550	\$28,184	\$874,675	\$8,835
Cash From Operations	\$482,000	\$4,869	\$88,192	\$570,192	\$5,760
<b>Total Sources</b>	<b>\$23,951,000</b>	<b>\$241,929</b>	<b>\$1,399,493</b>	<b>\$25,350,493</b>	<b>\$256,066</b>

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$4,631,551	\$46,783	\$1,025,326	\$5,656,877	\$57,140
Contingency	\$463,155	\$4,678	\$102,533	\$565,688	\$5,714
Acquisition	\$13,500,000	\$136,364	\$0	\$13,500,000	\$136,364
Soft Costs	\$432,061	\$4,364	\$12,050	\$444,111	\$4,486
Financing	\$1,085,565	\$10,965	\$104,279	\$1,189,844	\$12,019
Developer Fee	\$2,984,956	\$30,151	\$145,567	\$3,130,523	\$31,621
Operating Reserve	\$566,609	\$5,723	\$9,891	\$576,500	\$5,823
Replacement Reserve Year 1 Deposit	\$198,000	\$2,000	\$0	\$198,000	\$2,000
Other Reserves	\$89,103	\$900	(\$153)	\$88,950	\$898
<b>Total Uses</b>	<b>\$23,951,000</b>	<b>\$241,929</b>	<b>\$1,399,493</b>	<b>\$25,350,493</b>	<b>\$256,066</b>

\$1,000,942 LIHTC @ \$.92/credit

## Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$812,479	\$8,207	(\$144,977)	\$667,502	\$6,742
Appraisal Cap Rate	5.65%			5.65%	
Valuation	\$14,380,000	\$145,253	(\$2,565,804)	\$11,814,196	\$119,335
Loan Principal	\$11,000,000	\$111,111		\$11,000,000	\$111,111
LTV	76.50%		17%	93.11%	

- RIHousing used a 3.0% vacancy vs. appraiser's 2.5%; 2021 vacancy is 0.51%
- RIHousing used a Management Fee of 5.5% vs. appraiser's 4.0%
- RIHousing used more conservative operating expenses in general

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	\$256,066.00	
Residential Vacancy Rate	3.0%	Actual vacancy is below 2.0%
DCR Yr 1	1.23	
DCR Yr 15	1.35	
NOI	\$677,502.00	
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	76.5%	
Initial Installment (%) of syndication proceeds	15.0%	
Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$756,500.00	Consistent with UW requirements
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$198,000.00	Consistent with UW requirements

**Deviations from standard underwriting – Yes**

A 3% vacancy rate was applied to underwriting as the historical vacancy (economic and physical) has averaged 1.96% over the past 10 years. Due to COVID the vacancy rate reached 2.8% in 2020, but for the first nine months of 2021 the rate is 0.51%. The appraisal used a vacancy rate of 2.5%.

This project passes both components of the Bridge Loan Test.

**Unit Distribution and Revenue**

<b>Unit</b>	<b>Rent Type</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>Gross Rent as a</b>		<b>Discount from Market Rent</b>
				<b>LIHTC Max Rent</b>	<b>% of LIHTC Max Rent</b>	
1	60%	89	\$ 1,418.00	\$ 978.00	145%	5.5%
2	60%	10	\$ 1,680.00	\$ 1,174.00	143%	9.2%
<b>Total</b>		<b>99</b>				<b>5.8%</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;
- 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 June 17, 2021 the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to Cornell Management Corp. (“Applicant”) to acquire and/or rehabilitate the affordable housing to be known as Riveredge Apartments (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>
Riveredge Apartments	Cornell Management Corp.	\$17,000,000.00

- 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 Riveredge Apartments, LP, or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$17,000,000.00 for rental housing known as Riveredge Apartments 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 tax-exempt bonds to finance up to \$17,000,000.00 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 the Executive Director, Deputy Executive Director, Director of Finance, General Counsel, and Manager of Treasury and Capital Planning (each, an “Authorized Officer”) 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 low-income housing tax credits in an amount sufficient to achieve project feasibility.
- 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.
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans.

- Approval by RIHousing of management documentation.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue.
- 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 to take any and all actions they deem necessary to carry out the foregoing resolutions.