

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Riveredge Apartments

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in the amount of \$16,100,000 for Riveredge Apartments (the “Development”), of which \$10,500,000 would remain as a permanent first mortgage. Cornell Management Corp. (“CMC” or the “Developer”) is the developer.

B. DISCUSSION

The current partnership acquired the property in February 2006 using bond financing and low-income housing tax credits (“LIHTC”) through Rhode Island Housing and Mortgage Finance corporation (“RIHousing”). Moderate rehabilitation of about \$11,000 per unit was completed at that time. The existing limited partner, Richman Capital, has confirmed that the initial compliance period for the Development expired in December of 2020. Richman Capital has indicated a desire to exit the existing partnership and re-syndicate the new Development.

Riveredge Apartments is a six-story, steel-frame, concrete building originally constructed in 1980. It has 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 Housing Assistance Payments (“HAP”) contract, which covers all 99 units, was recently renewed for 20 years with rents marked up to market.

CMC will undertake a \$5,000,000 rehabilitation of the property as part of this proposed transaction. The scope includes renovation of 60 residential units with updates such as: energy efficient appliances, new kitchens, new bathrooms, new floor coverings, and refreshed paint. Additionally, all the common areas will be updated with fresh paint, floor coverings and new lighting. Improvements will be made to the existing mechanical, electrical, and plumbing systems as well as elevator upgrades. Exterior repairs include new windows throughout the building, installation of a new roof and solar panels, and replacement of the exterior Dryvit and aluminum panels with new fiber cement panels. The net result of the completed proposed scope of work is expected to be a refreshed, energy efficient building that will extend the life of the Development well into the future.

The capital stack is comprised of the following sources: (i) a tax-exempt first mortgage, (ii) existing reserves, (iii) LIHTC equity, (iv) cash from operations, (v) a solar rebate, and (vi) a deferred developer fee.

This RFA seeks preliminary approval of a tax-exempt loan in the amount of \$16,100,000 of which \$10,500,000 will remain as permanent debt.

C. RECOMMENDATION

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

- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market oriented and the first mortgage loan does not exceed 90% of the as-stabilized value of the property.
- 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 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.

D. ATTACHMENTS

- A.** Development Summary
- B.** Term Sheet
- C.** Resolutions
- D.** Site Location Maps

**Attachment A
Development Summary**

A. Development Team

- 1. Sponsor:** Cornell Management Corp.
651 Orchard Street, Suite 201
New Bedford, MA, 02744
- 2. Mortgagor:** To be formed entity
- 3. Architect:** Ed Wojcik Architect Limited
One Richmond Square, Suite 100K
Providence, RI 02906
- 4. Legal:** O’Leary Murphy LLC
4060 Post Road
Warwick, RI 02886
- 5. GC:** Pariseault Builders, Inc.
25 Sharpe Drive, Suite 1
Cranston, RI 02920
- 6. Management Agent:** Cornell Management Corp.
651 Orchard Street, Suite 201
New Bedford, MA, 02744

Development Team Qualifications

Sponsor/Mortgagor & Management Agent:

Cornell Management Corp. (“CMC”) is the developer and management agent. In addition to Riveredge Apartments, CMC owns and operates two other multi-family projects in Rhode Island, both financed with bonds and low-income housing tax credits through Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). CMC also provides management to 18 multi-family and residential condominium projects in Rhode Island and Massachusetts totaling 834 units. The two principals have over 25 years of development/management experience.

Legal

O’Leary Associates is a general practice firm focused on real estate and construction, partnerships, and civil litigation. Jim and Sean O’Leary have served as legal counsel for previous RIHousing transactions as well as other affordable housing transactions completed by the Developer. Their practice has expanded to include three associate attorneys. Counsel is familiar with the requirements of the regulatory agencies.

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, Dakota Partners, Inc., NeighborWorks Blackstone River Valley, ONE Neighborhood Builders, Inc., Brown University, Rhode Island School of Design, and Johnson and Wales University.

General Contractor

Pariseault Builders, Inc. ("Pariseault") is a full-service general contracting firm that has extensive construction experience with RIHousing financed developments. Their portfolio includes commercial, residential, retail, and educational facilities. Pariseault has worked on several RIHousing financed developments in the past, both new construction and acquisition/rehabilitation and has successfully completed numerous other affordable housing projects in various communities across the state. They are currently the general contractor for Langford Estates at Reynolds Farm, which is completing construction. These projects demonstrate Pariseault's experience as well as their ability to handle a project of this size and scope. Pariseault will provide a payment and performance bond during construction.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max		Gross Rent as a % of LIHTC Max		Discount from Market Rent
				Rent	Rent	Rent	Rent	
1	60%	89	\$ 1,418.00	\$ 978.00	145%	3.5%		
2	60%	10	\$ 1,680.00	\$ 1,174.00	143%	6.7%		
Total		99				3.9%		

Market rents will be confirmed once RIHousing receives the final appraisal.

Finance Summary

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$10,500,000	\$106,061
Sponsor (Dev Fee)	\$1,669,956	\$16,868
Assumed Debt (Rollover)	\$217,319	\$2,195
LIHTC Proceeds	\$8,584,076	\$86,708
Seller Loan	\$1,511,158	\$15,264
Existing Reserves	\$846,491	\$8,550
Cash From Operations	\$482,000	\$4,869
Solar Rebate	\$140,000	\$1,414
Total Sources	\$23,951,000	\$241,929

Uses	Preliminary	
	Amount	Per Unit
Construction	\$4,631,551	\$46,783
Contingency	\$463,155	\$4,678
Acquisition	\$13,500,000	\$136,364
Soft Costs	\$432,061	\$4,364
Financing	\$1,085,565	\$10,965
Developer Fee	\$2,984,956	\$30,151
Operating Reserve	\$566,609	\$5,723
Replacement Reserve Year 1 Deposit	\$198,000	\$2,000
Other Reserves	\$89,103	\$900
Total Uses	\$23,951,000	\$241,929

Attachment B

Construction to Permanent Financing Term Sheet Riveredge Apartments

Borrower:	Cornell Management Corp. or an affiliated entity
Rents:	The underwriting rents will be set at the lower of current HAP rents or market 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 will amortize over 40 years but be due in payable 17 years after closing.
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 3.625%.
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”, utilizing 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 first \$5,000,000 of the permanent loan and 1% on the balance of the 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 the 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 \$2,000 per unit. The Borrower shall make monthly deposits to a Replacement Reserve, held by

RIHousing, at a minimum amount of \$325 per unit annually. RIHousing reserves the right to increase the annual reserve contribution over the term of the loan due to inflation or as required by the CNA.

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, inclusive of replacement reserve deposits.

Insurance Escrow:

The Borrower shall make monthly deposits to an insurance escrow, held by RIHousing, equal to one-twelfth of the accruing insurance premiums.

Tax Escrow:

The Borrower shall make monthly deposits to a tax escrow, held by RIHousing, equal to one-twelfth of the accruing real estate taxes.

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 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: RIHousing is also authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas, the applicant (“Applicant”) listed below has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>
Riveredge Apartments	Cornell Management Corp.	\$16,100,000

Whereas: staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies;

Whereas, RIHousing finds that:

(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 pursuant to the provisions of this chapter will be of public use and will provide a public benefit;

(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 RIHousing 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 declares preliminary commitment for tax-exempt mortgage financing for Cornell Management Corp. or an affiliated entity (the “Borrower”) in an amount not to exceed \$16,100,000 for rental housing known as Riveredge Apartments located in Providence, Rhode Island 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 \$16,100,000 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 the foregoing resolutions are subject to the following conditions:

- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market oriented and the first mortgage loan does not exceed 90% of the as-stabilized value of the property.
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satisfy all required bond provisions for the bond issue.

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- 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.

Attachment D

Site Location Map

