

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for The Residences at Riverside Square**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage taxable financing in an amount not to exceed \$725,000, a HOME Investment Partnerships Program (the “HOME Program”) loan in the amount of \$1,885,000, and a Housing Trust Fund Program (the “HTF Program”) loan in the amount of \$515,000 for The Residences at Riverside Square in East Providence (hereinafter referred to as the “Development”). Olneyville Housing Corporation d/b/a One Neighborhood Builders is the developer (“ONE/NB” or the “Developer”). The Development received preliminary approval for HOME and HTF financing from the Board of Commissioners on May 20, 2021 (“Preliminary Approval”).

**B. DISCUSSION**

This firm approval will support the new construction and creation of 16 affordable rental units. ONE/NB was designated as developer by the City of East Providence to revitalize this long vacant and blighted property adjacent to the East Bay Bike Path. Upon completion, the 16 units will include 6 one-bedroom and 10 two-bedroom units serving residents with incomes that range from 30% AMI to 80% AMI.

The project has received approval from the East Providence Housing Authority (“EPHA”) to provide three project-based housing vouchers for the one-bedroom units serving residents with incomes at or below 30% of AMI. These housing vouchers will be coordinated with Foster Forward Youth Initiative (“FFYI”) and will provide supportive services for youths aging out of foster care.

Since preliminary approval of the soft loans in 2021, site engineering and plans have been completed and contractor pricing has been updated. Construction costs have increased by 40% and the small number of units impacts the economies of scale. The Developer will complete the Development using the proceeds from this taxable financing, a HOME Program loan, a Housing Trust Fund Loan, Building Homes Rhode Island funds from the RI Housing Resources Commission, and RI Rebounds Production Fund Program (“RIRPF”) funds which were approved on June 16, 2022.

This RFA requests firm approval of \$725,000 in taxable first mortgage financing, \$1,885,000 in HOME Program funds, and \$515,000 in HTF Program funds subject to certain conditions as set forth in the attached Resolution.

**B. ATTACHMENTS**

**A. Credit Summary**

**B.** Resolution

## Attachment A

### Credit Summary

#### Approval Loan Recommendation Summary – The Residences at Riverside Square

Preliminary \_\_\_\_\_

Firm   X  

Date: October 20, 2022

**Project:** New construction of 16 affordable apartments in East Providence comprised of 6 one-bedroom and 10 two-bedroom units.

#### Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
<b>Sponsor/Developer</b>	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	low
<b>Architect</b>	Union Studio Architecture & Community Design	Providence, RI	low
<b>General Contractor</b>	Pezzuco Construction, Inc.	Cranston, RI	low
<b>Legal</b>	McGunagle Hentz, PC	Cranston, RI	low
<b>Management Agent</b>	Peabody Properties, Inc.	Braintree, MA	low

#### Executive Summary

	Address	City
<b>Property Address</b>	336 Bullocks Point Avenue & Fenner Avenue	East Providence
<b>Proposed Loan Amount(s) and Terms</b>		
	Amount	Interest rate/Term
RIHousing First Mortgage	\$725,000	6.5%/40 years
HOME Program Loan	\$1,885,000	0%/40 years
HTF Loan	\$515,000	0%/40 years

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

**Proposed Sources & Uses:**

Sources	Firm	
	Amount	Per Unit
RIH First Mortgage	\$725,000	\$45,313
HOME	\$1,885,000	\$117,813
HTF	\$515,000	\$32,188
BHRI	\$1,676,000	\$104,750
RIRPF	\$1,012,441	\$63,278
<b>Total Sources</b>	<b>\$5,813,441</b>	<b>\$363,340</b>

Uses	Firm	
	Amount	Per Unit
Construction	\$4,307,950	\$269,247
Contingency	\$323,096	\$20,194
Acquisition	\$225,000	\$14,063
Soft Costs	\$480,807	\$30,050
Financing	\$69,555	\$4,347
Developer Fee	\$302,400	\$18,900
Operating Reserve	\$87,227	\$5,452
Replacement Reserve Year 1 Deposit	\$5,536	\$346
Other Reserves	\$11,870	\$742
<b>Total Uses</b>	<b>\$5,813,441</b>	<b>\$363,340</b>

**Loan to Value Test:**

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$71,869	\$4,492	(\$10,271)	\$61,598	\$3,850
Appraisal Cap Rate	7.00%			7.00%	
Valuation	\$1,026,699	\$64,169	(\$146,729)	\$879,971	\$54,998
Loan Principal	\$725,000	\$45,313		\$725,000	\$45,313
LTV	70.61%		12%	82.39%	

**Underwriting Metrics:**

Metric	Amount	Comment
Total Development Cost Per Unit	\$363,340	Higher costs due to material and labor escalations and small

		<b>number of units</b>
Residential Vacancy Rate	<b>5%</b>	<b>Meets requirement</b>
DCR Yr 1	<b>1.21</b>	<b>Meets requirement</b>
DCR Yr 15	<b>1.22</b>	<b>Meets requirement</b>
NOI	<b>\$61,598</b>	
Income Trending	<b>2%</b>	<b>Meets requirement</b>
Expense Trending	<b>3%</b>	<b>Meets requirement</b>
Loan to Value	<b>82%</b>	
Acquisition Price equal to or less than Appraised value	<b>Yes</b>	
Operating Reserve (Amt and confirm consistency with UW requirements)	<b>\$87,227</b>	<b>Meets requirement</b>
Replacement Reserve (Amt and confirm consistency with UW requirements)	<b>\$5,536</b>	<b>Meets requirement</b>

**Deviations from Standard Underwriting:** None, though we note that the TDC is higher than the per unit cap in the QAP. This deal is not subject to the requirements of the QAP.

#### Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Net Rent
1	30%	3	\$ 540.00	\$ 383.00
1	60%	2	\$ 1,026.00	\$ 869.00
1	60%	1	\$ 1,026.00	\$ 869.00
2	60%	1	\$ 1,234.00	\$ 1,031.00
2	60%	4	\$ 1,234.00	\$ 1,031.00
2	80% Non-LIHTC	5	\$ 1,700.00	\$ 1,497.00
<b>Total</b>		<b>16</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 provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** On May 20, 2021, the RIHousing Board of Commissioners granted preliminary approval HOME program financing, and HTF Program financing to Olneyville Housing Corporation d/b/a One Neighborhood Builders (“Applicant”) to construct the affordable housing to be known as The Residences at Riverside Square (the “Development”);

**Whereas,** the Applicant is requesting firm approval of a taxable first mortgage, and HOME Program and HTF Program financing for the Development as set forth below:

<b>Applicant</b>	<b>Development</b>	<b>Taxable Mortgage</b>	<b>HOME</b>	<b>HTF</b>
Olneyville Housing Corporation d/b/a One Neighborhood Builders	The Residences at Riverside Square	\$725,000	\$1,885,000	\$515,000

**Whereas,** the RIHousing Board of Commissioners and staff have reviewed the submission of Applicant for first mortgage financing, HOME Program financing, and HTF Program 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 Olneyville Housing Corporation d/b/a One Neighborhood Builders or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$725,000 for rental housing to be located in East Providence and known as The Residences at Riverside Square.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,885,000 for rental housing to be located in East Providence and known as The Residences at Riverside Square.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves a Housing Trust Fund loan to the Borrower in an amount not to exceed \$515,000 for rental housing to be located in East Providence and known as The Residences at Riverside Square.

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

- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- Execution of an Agreement to Enter into a Housing Assistance Payments (“AHAP”) contract with the East Providence Housing Authority;
- 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;

- Recordation of a RIHousing Regulatory Agreement in a form acceptable to RIHousing;
- Approval by RIHousing of management documentation; and
- 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, be and hereby are empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.