

**Request for Action**  
**by**  
**Board of Commissioners**  
**Preliminary Approval of Financing for**  
**Securing the Future/Building the Dream**

**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 \$350,000 and a loan from the Capital Magnet Fund (“CMF”) in the amount of \$750,000 for Securing the Future/Building the Dream (“STF/BTD” or the “Development”). The applicant and developer, NeighborWorks Blackstone River Valley (“NWBRV” or the “Developer”), is also requesting a Preservation Loan Fund (“PLF”) Program loan in the amount of \$1,500,000 from the Affordable Housing Trust (“AHT”).

**B. DISCUSSION**

This is a proposed refinance of 2 separate post year-15 low-income housing tax credit (“LIHTC”) projects, Securing the Future (“STF”) and Building the Dream (“BTD”), both of which are in the Constitution Hill neighborhood of Woonsocket, RI. Both are 100% affordable, restricted to households earning up to 60% of Area Median Income (“AMI”).

STF (aka Constitution Hill II/III) was developed in 1998. It contains 46 units in 13 buildings. BTD (aka Constitution Hill IV) was developed in 2002. It contains 19 units in 7 buildings. The primary sources of financing for both transactions were LIHTC, a small amortizing loan, a RIHousing Targeted Loan, HOME funds, lead funds and sponsor loans. Each of the buildings was substantially renovated. National Equity Fund (“NEF”) was the original limited partner in both deals.

With this refinancing, NWBRV contemplates merging the two-existing LIHTC limited partnerships into a new single asset entity. NEF will transfer their limited partnership interest in both deals to an affiliate of NWBRV. The new entity will combine, own and operate the 2 existing developments. NWBRV intends to undertake approximately \$35,000/unit of rehabilitation to the Development. The merger of these two limited partnerships will serve to preserve the affordability of the units and to create stronger economies of scale for the long-term operation of the properties. This transaction does not currently contemplate a new LIHTC allocation.

To determine the scope of work, NWBRV has inspected each individual unit and created a matrix outlining interior and exterior repairs. The proposed rehabilitation includes new roofs, boiler replacement in select units, exterior carpentry, site work (sidewalks & walkway), and upgrading unit interior finishes. Once preliminary approval is received, a capital needs assessment (“CNA”) completed by an independent third party will be completed to ensure that the proposed scope of work is consistent with need and will result in a replacement reserve analysis that meets RIHousing requirements.

As part of the approval process, staff has determined that STF/BTD meets RIHousing’s Preliminary Approval of Financing for Securing the Future/Building the Dream

requirements for rollover of existing debt. Broadly, the requirements include:

- Current on first mortgage or in compliance with forbearance agreement;
- No outstanding monitoring findings and no history of significant monitoring findings;
- Demonstrated responsible long-term ownership and management of the property;
- Maximize amortizing debt the property can support; and
- Borrower and/or key principals provide guarantees to cover any construction deficit shortfalls.

The capital stack includes the following: (i) a taxable first mortgage, (ii) a CMF loan, (iii) a PLF Program loan from the AHT and (iv) rollover of existing debt.

This RFA seeks preliminary approval of a RIHousing first mortgage in the amount of \$350,000 and a CMF loan in the amount of \$750,000.

#### **D. RECOMMENDATION**

The attached resolution for preliminary approval of financing for STF/BTD is recommended for approval subject to:

- Approval of a loan for \$1,500,000 under the PLF Program from the AHT.
- A final appraisal and market study 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.
- 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 Lender.
- 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.
- Completion of all items required for commitment and closing in accordance with normal underwriting and processing requirements.
- Approval by RIHousing of a detailed plan outlining the implementation of proposed rent increases for the Development, to be submitted by the Developer within 30 calendar days of this preliminary approval.

#### **E. ATTACHMENTS**

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

**Attachment A**  
**Development Summary**

**A. Development Team**

- 1. Sponsor:** Woonsocket Neighborhood Development Corporation  
d/b/a NeighborWorks Blackstone River Valley  
719 Front Street  
Woonsocket, RI 02895
- 2. Mortgagor:** To be formed entity
- 3. Architect:** John O’Hearne  
O’Hearne Associates  
PO Box 598  
Burrillville, RI 02830
- 4. General Contractor:** Woonsocket Neighborhood Development Corporation  
d/b/a NeighborWorks Blackstone River Valley  
719 Front Street  
Woonsocket, RI 02895
- 5. Legal:** Michelle Fonseca  
Holland & Knight LLP  
10 St. James Avenue  
11<sup>th</sup> Floor  
Boston, MA 02116
- 6. Management Agent:** Maloney Properties Inc.  
27 Mica Lane  
Wellesley, MA 02841

**Development Team Qualifications**

***Sponsor/Mortgagor:***

Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley (“NWBRV”) has been creating economic opportunity and revitalizing Rhode Island neighborhoods for almost thirty years. They have completed 8 tax credit developments with more than 400 units. They have developed homeownership opportunities, more than 20,000 square feet of commercial space and a day care center. Originally based in Woonsocket, NBRV has expanded their territory to include much of northern RI, working in Burrillville, North Smithfield, and Glocester. NWBRV is the largest nonprofit community development corporation serving Northern Rhode Island and the Blackstone Valley.

***Architect:***

O’Hearne Associates has prior experience designing new affordable housing developments and has a track record of working collaboratively with NWBRV. O’Hearne Associates was the architect for Marshfield Commons, Sankofa Apartments and Greenridge Associates. The firm is familiar with RIHousing’s Design and Construction guidelines.

***General Contractor:*** NWBRV will serve as the general contractor for this project. NWBRV is registered as a general contractor with the Rhode Island Department of Labor and has successfully served as general contractor on several self-performed construction projects within their portfolio.

***Attorney:***

Holland & Knight LLP is an international legal firm that has provided legal services to several Rhode Island Housing borrowers in several transactions. Michelle Roberto Fonseca provides both tax and real estate expertise to her clients and she has experience with affordable housing refinance transactions.

***Management Agent:***

Maloney Properties Inc. (“Maloney”) is a capable property management company which has been in business since 1981. Both the STF & BTM developments are currently being managed by Maloney. With a portfolio of over 80 developments, Maloney manages over 8,500 units. With a diverse staff of over 350 employees, they are experienced with affordable housing developments. Maloney is a certified MBE and WBE.

**B. Unit Distribution and Revenue**

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a	
				LIHTC Max Rent	% of LIHTC Max
EFF	50%	5	\$ 491.00	\$ 717.00	68%
1	50%	14	\$ 598.36	\$ 768.00	78%
1	60%	1	\$ 648.00	\$ 922.00	70%
1	60%	1	\$ 700.00	\$ 922.00	76%
2	50%	10	\$ 773.80	\$ 922.00	84%
2	60%	2	\$ 747.50	\$ 1,107.00	68%
3	50%	16	\$ 975.31	\$ 1,065.00	92%
3	60%	3	\$ 881.33	\$ 1,278.00	69%
3	60%	3	\$ 911.33	\$ 1,278.00	71%
3	60%	4	\$ 972.75	\$ 1,278.00	76%
4	50%	3	\$ 987.67	\$ 1,188.00	83%
4	60%	1	\$ 1,177.00	\$ 1,426.00	83%
4	60%	2	\$ 1,255.00	\$ 1,426.00	88%
<b>Total</b>		<b>65</b>			

**C. Finance Summary**

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$350,000	\$5,385
Preservation Loan Fund Program	\$1,500,000	\$23,077
Capital Magnet Fund	\$750,000	\$11,538
Assumed Debt (Rollover)	\$5,388,403	\$82,899
BHRI	\$649,000	\$9,985
<b>Total Sources</b>	<b>\$8,637,403</b>	<b>\$132,883</b>

Uses	Preliminary	
	Amount	Per Unit
Construction	\$2,089,000	\$32,138
Contingency	\$209,900	\$3,229
Acquisition	\$250,000	\$3,846
Soft Costs	\$144,955	\$2,230
Financing	\$5,408,403	\$83,206
Developer Fee	\$92,145	\$1,418
Operating Reserve	\$231,000	\$3,554
Replacement Reserve Year 1 Deposit	\$135,000	\$2,077
Other Reserves	\$77,000	\$1,185
<b>Total Uses</b>	<b>\$8,637,403</b>	<b>\$132,883</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 the 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>	<u>Capital Magnet Fund</u>
<b>Saving the Future &amp; Building the Dream</b>	<b>NeighborWorks Blackstone River Valley</b>	<b>\$350,000</b>	<b>\$750,000</b>

**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;

**Whereas,** the Applicant intends to form a new entity to acquire both Saving the Future and Building the Dream; and

**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 gives preliminary approval of financing for a taxable first mortgage loan to Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley, or an affiliated entity, (“Borrower”) in an amount not to exceed \$350,000 (the “Loan”) for rental properties known as Securing the Future and Building the Dream, located in Woonsocket, Rhode Island, (the “Development”).

**Resolved:** that, subject to the special conditions listed below, RIHousing hereby authorizes preliminary approval of a Capital Magnet Fund loan of up to \$750,000 for the Development;

**Resolved,** that the transfer of the limited partnership interest in the Development from the National Equity Fund, the original limited partner in both deals, to a new entity to be formed by the Borrower be, and hereby is, approved;

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

- Approval of a loan for \$1,500,000 under the Preservation Program Loan Fund from the Affordable Housing Trust.
- A final appraisal and market study 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.
- 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 Lender.
- 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.

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Approval by RIHousing of a detailed plan outlining the implementation of proposed rent increases for the Development, to be submitted by the Developer within 30 calendar days of this preliminary approval.

**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

