

**Request for Action
by
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Firm Approval of Financing for West House II**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,190,000 of 2022/2023 Low-Income Housing Tax Credits (“LIHTC”) as well as firm approval of: (i) a taxable leasehold first mortgage in an amount up to \$2,480,000; (ii) a HOME Investment Partnerships Program (“HOME”) Loan in an amount up to \$994,784; and (iii) a RI Rebounds Production Fund (“RIRPF”) Loan in the amount of \$1,000,000 for West House II (the “Development”), a fifty-four (54) unit rental housing development to be located at 170 Enterprise Drive, Middletown, Rhode Island. Church Community Housing Corporation (“CCHC” or the “Developer”) is the developer. The Development received preliminary approval from the Board of Commissioners on April 21, 2022 (“Preliminary Approval”).

West House II is a proposed three-story addition to West House I, an existing 50-unit U.S. Department of Housing and Urban Development (“HUD”) Section 202 housing development that was built in 1996. Residents of the Development will utilize the existing West House I parking and common areas, which include a Chapel, nurses’ office, library, game and fitness room, double dining room, coffee shop, and computer lab. Due to the abundance of common space at West House I to be utilized by residents of the Development, the overall total development cost is comparatively low. The Development will be restricted to residents who are 55 years of age and older.

The Development will be constructed on land owned by the West House I owner, The West House Corporation, a Rhode Island non-profit corporation and affiliate of CCHC (the “West House I Owner”). The land is currently encumbered by a mortgage given by the West House I Owner in favor of HUD. West House II will enter into a 99-year ground lease with the West House I Owner for the portion of land associated specifically with West House II. There will also be an agreement regarding shared operating expenses to cover items such as snow plowing, maintenance, etc. Since Preliminary Approval, the Developer has secured HUD approval for a partial release of the current HUD mortgage for that portion of the land associated with the West House II ground lease. The Development will be designed to meet passive house certification and will include a large solar array on the roof. Of the 54 units, six one-bedroom units will be available to households earning up to 30% of area median income (“AMI”) who will be the beneficiaries of project-based HUD Section 811 vouchers. The remaining 34 one-bedroom units and 14 two-bedroom units will be available to households earning up to 60% AMI.

Since Preliminary Approval, the Developer has finalized their construction pricing and has secured a construction loan from Webster Bank as well as syndication equity from National Equity Fund. In addition, the Development was awarded Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission as well as a RIRPF Loan.

Collectively, the capital stack for permanent financing is comprised of (i) a RIHousing first mortgage, (ii) a HOME Loan, (iii) a BHRI Loan, (iv) a RIRPF Loan, (v) syndication proceeds from

the sale of LIHTC, and (vi) a deferred developer fee.

This RFA requests firm approval of a reservation of up to \$1,190,000 of 2022/2023 LIHTC as well as firm approval of: (i) a taxable leasehold first mortgage not to exceed \$2,480,000; (ii) a HOME Loan in an amount not to exceed \$994,784; and (iii) a RIRPF loan in the amount of \$1,000,000, 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 – West House II

Preliminary _____

Firm X

Date: February 16, 2023

Project: West House II will be a 54-unit addition to West House I, an existing housing development that was built in 1996. West House II consists of 40 one-bedroom and 14 two-bedroom senior housing units.

Development Team:

	Name	Location (city/state)	Risk Rating (low/med/high)
Developer	Church Community Housing Corporation (“CCHC”)	Newport, RI	Low
Mortgagor	West House II Realty LP	Middletown, RI	Low
Architect	Union Studio Architecture & Community Design, Inc.	Providence, RI	Low
General Contractor	J2 Construct, Inc.	Middletown, RI	Medium
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	Phoenix Property Management, Inc.	Warwick, RI	Low
Syndicator	National Equity Fund (NEF)	New York, NY	Low

Executive Summary:

	Address	City
Property Address (for scattered sites, add list at end of summary)	417 Forest Avenue/170 Enterprise Drive	Middletown
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
RIH First Mortgage	\$2,480,000	6.15/40 Years*
HOME Loan	\$994,784	7%/40 Years
RIRPF Loan	\$1,000,000	0%/40 Years

*The permanent loan will be funded through the FFB-Risk Share Program and the interest rate will be locked at completion.

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$2,225,000	\$41,204	\$255,000	\$2,480,000	\$45,926
RIH HOME Loan	\$994,784	\$18,422	\$0	\$994,784	\$18,422
Building Homes Rhode Island	\$0	\$0	\$1,454,969	\$1,454,969	\$26,944
HPF/BHRI/RIRPF	\$1,405,216	\$26,023	(\$405,216)	\$1,000,000	\$18,519
LIHTC Proceeds	\$10,946,905	\$202,720	\$237,976	\$11,184,881	\$207,127
Deferred Developer Fee	\$0	\$0	\$75,000	\$75,000	\$1,389
Total Sources	\$15,571,905	\$288,369	\$1,617,729	\$17,189,634	\$318,327
Uses	Amount		Delta	Amount	
	Amount	Per Unit		Amount	Per Unit
Construction	\$11,552,331	\$213,932	\$1,101,727	\$12,654,058	\$234,334
Contingency	\$577,617	\$10,697	\$308,167	\$885,784	\$16,403
Soft Costs	\$1,390,901	\$25,757	(\$107,744)	\$1,283,157	\$23,762
Financing	\$633,975	\$11,740	\$286,820	\$920,795	\$17,052
Developer Fee	\$1,020,600	\$18,900	\$0	\$1,020,600	\$18,900
Operating Reserve	\$327,807	\$6,071	\$27,163	\$354,970	\$6,574
Replacement Reserve Year 1 Deposit	\$17,550	\$325	\$0	\$17,550	\$325
Other Reserves	\$51,125	\$947	\$1,595	\$52,720	\$976
Total Uses	\$15,571,906	\$288,369	\$1,617,728	\$17,189,634	\$318,327

\$1,190,000 LIHTC @ \$.94/credit

Loan to Value:

	Appraisal		Variance	Current UW	
	Appraisal	Per Unit		Current UW	Per Unit
NET OPERATING INCOME	\$332,563	\$6,159	(\$106,784)	\$225,779	\$4,181
Appraisal Cap Rate	6.00%			6.00%	
Valuation	\$5,542,717	\$102,643	(\$1,779,740)	\$3,762,977	\$69,685
Loan Principal	\$2,480,000	\$45,926		\$2,480,000	\$45,926
LTV	44.74%		21%	65.91%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$318,327	\$310,452/unit without reserves
Residential Vacancy Rate	7%	
DCR Year 1	1.35	
DCR Year 15	1.27	
NOI	\$225,779	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	65.91%	
Initial Installment (%) of syndication proceeds	15.3%	
Acquisition Price equal to or less than Appraised value	N/A	No acquisition, 99 Year Ground Lease
Operating Reserve (Amt and confirm consistency with UW requirements)	Yes	Initial Deposit \$354,970 (equal to six months of Debt Service and OpEx)
Replacement Reserve (Amt and confirm consistency with UW requirements)	Yes	Initial Deposit @ \$325/Unit \$17,550

Deviations from standard underwriting: None.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
1	30%	6	\$ 1,319.00	\$ 656.00	201%	0.0%
1	60%	34	\$ 1,180.80	\$ 1,312.00	90%	0.0%
2	60%	14	\$ 1,417.50	\$ 1,575.00	90%	0.0%
Total		54				0.0%

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,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”);
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island;
- Whereas,** staff for RIHousing has determined that Church Community Housing Corporation (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** on April 21, 2022, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2022/2023 (“LIHTC”) and preliminary approval of permanent and HOME Investment Partnerships Program Loan financing for West House II (the “Development”);
- Whereas,** on June 16, 2022, the RIHousing Board of Commissioners granted approval of a RI Rebounds Production Fund Loan for the Development, subject to completion of the project capital stack;
- Whereas,** since preliminary approval, the request for permanent financing from the Applicant has been modified to the following:

Applicant	Development	RIHousing 1st Mortgage	HOME Loan	RIRPF Loan	LIHTC
Church Community Housing Corporation	West House II	\$2,480,000	\$994,784	\$1,000,000	\$1,190,000

- 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; 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 up to \$1,190,000 of allocated 2022/2023 LIHTC be reserved for the Applicant or an affiliated entity (the “Borrower”) pursuant to Section 4.4 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”), and that the Executive Director, Deputy Executive Director, and Director of Real Estate Development, each acting singly, are hereby empowered and directed to take any and all actions necessary to cause such reservation to be effective; and further, that any final allocation shall be made at such time as the Borrower complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$2,480,000 for a taxable leasehold first mortgage loan to the Borrower for rental housing to be located in Middletown, Rhode Island and known as West House II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of a HOME Investment Partnerships Program (“HOME”) Loan not to exceed \$994,784 to the Borrower for rental housing to be located in Middletown, Rhode Island and known as West House II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of a RI Rebounds Production Fund Loan of \$1,000,000 to the Borrower for rental housing to be located in Middletown, Rhode Island and known as West House II.

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

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- RIHousing approval of the ground lease between West House I Owner and West House II;
- 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;
- Receipt of an Agreement to enter into a Section 811 Contract for six (6) units;
- Recording of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Availability of construction financing from Webster Bank or another lender in an amount sufficient to achieve project feasibility;
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan; 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, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.