

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for West End III (Providence)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$8,000,000, of which \$1,375,000 will remain as a permanent first mortgage for West End III (hereinafter referred to as the “Development”). Women’s Development Corporation is the developer (“WDC” or the “Developer”).

B. DISCUSSION

The Development, which includes the rehabilitation and preservation of 47 affordable housing apartments, is located in the Elmwood and West End neighborhoods of Providence. The Development combines the West End Preservation Apartments (“WEPA”) and the Historic West End II Apartments (“HWE”), which will be merged into a newly formed borrower entity.

The Development is comprised of 19 individual buildings spread amongst the Elmwood and West End neighborhoods but all within a ½ mile radius of each other. Of the 47 units, 31 will be restricted to households earning up to 60% of area median income (“AMI”), 9 units will be restricted to households earning up to 50% of AMI, and 7 units will be restricted to households earning up to 30% of AMI. The 47 units are comprised of 22 2-bedroom, 20 3-bedroom, and five 4-bedroom units.

Interior and exterior renovations are anticipated to include, at a minimum, roofing, siding replacement, insulation, hot water boilers and heaters, unit upgrades including new kitchens and baths, fire code compliance, exterior lighting, and security cameras with remote monitoring capabilities. Since many of the buildings are in a historic district, the Developer’s ability to make exterior repairs has been limited. Accordingly, the city has cited the buildings for their deteriorating conditions. If, as anticipated, the properties are awarded federal historic credits, particular attention will be paid to the exterior siding and windows.

There is approximately \$1,642,000 of existing RIHousing debt plus accrued interest on the properties. The existing debt includes a RIHousing Targeted Loan among other loans. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing’s requirement for rollover of existing debt:

- 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;
- An equity pay-in schedule satisfactory to RIHousing;

- Maximization of amortizing debt able to be supported by the property; and
- Borrower will-provide guarantees to cover any deficit shortfalls.

This RFA requests preliminary approval of an amount not to exceed \$8,000,000 in tax-exempt financing, of which an amount not to exceed \$1,375,000 will remain as permanent debt, for the development known as West End III, subject to certain conditions as outlined in the attached Resolution.

B. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

Attachment A

Credit Summary

Approval Loan Recommendation Summary – West End III

Preliminary X

Firm _____

Date: December 19, 2024

Project: Preservation of 47 units containing a mix of 22 2-bedroom units, 20 3-bedroom units, and five 4-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Women's Development Corporation	Providence, RI	Low
Mortgagor	TBD	Providence, RI	Low
Architect	DBVW Architects, Inc.	Providence, RI	Low
General Contractor	Stand Corporation	Cranston, RI	Low
Legal	McGunagle Hentz, PC	Cranston, RI	Low
Management Agent	Housing Opportunities Corporation	Providence, RI	Medium
Syndicator	Redstone Equity Partners	New York, NY	Low

Executive Summary

	Address	City
Property Address	25 Constitution Street	Providence, RI
	36 & 38 Arch Street	Providence, RI
	55 Wilson Street	Providence, RI
	48, 52, 56, 60, 62, 64-66, 70 & 72 Bridgham Street	Providence, RI
	34, 35, 36, 38, 39, 40 & 47 Gilmore Street	Providence, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$8,000,000	
Construction/Bridge Loan	\$6,625,000	5.50%/ 24 months

Permanent First Mortgage	\$1,375,000	6.40%/40 years
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Note: Interest rates are subject to change based on market conditions and deal specifics.

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$1,375,000	\$29,255
Preservation Loan Fund Program	\$940,231	\$20,005
HOME	\$497,661	\$10,589
Capital Magnet Fund	\$837,556	\$17,820
LIHTC Proceeds	\$7,706,108	\$163,960
Fed. Historic Tax Credit Proceeds	\$2,716,733	\$57,803
State LIHTC Equity	\$3,036,308	\$64,602
Deferred Development Fee	\$521,967	\$11,106
Assumed Debt (Rollover)	\$3,098,846	\$65,933
Eligible Incentive Development Fee	\$469,770	\$9,995
Capital Reserves	\$101,682	\$2,163
Predevelopment Grant	\$250,000	\$5,319
Total Sources	\$21,551,860	\$458,550

Uses	Amount	
	Amount	Per Unit
Construction	\$11,769,550	\$250,416
Contingency	\$804,444	\$17,116
Acquisition	\$3,575,000	\$76,064
Soft Costs	\$1,533,284	\$32,623
Financing	\$1,187,347	\$25,263
Developer Fee	\$2,177,982	\$46,340
Operating Reserve	\$333,349	\$7,093
Replacement Reserve Year 1 Deposit	\$101,682	\$2,163
Other Reserves	\$69,223	\$1,473
Total Uses	\$21,551,860	\$458,550

Note: Rollover debt includes both RIHousing debt plus a sponsor loan

\$856,320 LIHTC @ \$.90/credit.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$458,550	\$447,821 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.65	

DCR Yr 15	1.15	
NOI	\$161,866	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$333,349	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$101,682	\$2,163 per unit

Deviations from standard underwriting – Yes

Replacement reserve exceeds guidelines. Current underwriting is \$2,163 per unit. This exceeds RIHousing by approximately \$163 per unit.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent	Discount from Market Rent
4	30%	2	\$ 2,789.60	\$ 891.00	313%	0.0%
3	30%	2	\$ 2,251.70	\$ 798.00	282%	0.0%
2	30%	2	\$ 1,862.30	\$ 691.00	270%	0.0%
4	50%	2	\$ 2,789.60	\$ 1,485.00	188%	0.0%
3	50%	2	\$ 2,251.70	\$ 1,331.00	169%	0.0%
2	50%	7	\$ 1,862.30	\$ 1,152.00	162%	0.0%
4	60%	1	\$ 1,533.00	\$ 1,782.00	86%	0.0%
3	60%	18	\$ 1,425.31	\$ 1,597.00	89%	0.0%
2	60%	11	\$ 1,226.25	\$ 1,383.00	89%	0.0%
Total		47				0.0%

RIHousing will underwrite to the lower of the PBV Contract rents or market rents and the lower of LIHTC or market as determined by a RIHousing commissioned appraisal.

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 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 tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** Women’s Development Corporation (“Applicant”) has presented an application to RIHousing requesting mortgage financing to rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Bonds</u>
West End III	Women’s Development Corporation	\$8,000,000

- Whereas,** staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies; 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 will be of public use and will provide a public benefit; and

(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 the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$8,000,000 for rental housing known as West End III 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, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$8,000,000 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. The intent to reimburse the aforementioned bond-funded costs is intended to satisfy the requirements of Section 1.150-2 of the United States Treasury Regulations. This resolution shall take effect immediately upon adoption.

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

- Syndication proceeds from the sale of federal 4% LIHTC in an amount sufficient to ensure development feasibility;
- Syndication from the sale or redemption of State LIHTC in an amount sufficient to ensure development feasibility;
- Syndication from the sale or redemption of Federal historic tax credits in

- an amount sufficient to ensure development feasibility;
- Approval of subordinate funding in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- 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;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Execution and delivery by the Borrower and Applicant 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 design and construction plans, specifications, and construction documentation;
- Resolution of all housing court matters and citations to the satisfaction of RIHousing;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff; 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 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.