

**Request for Action  
by  
Board of Commissioners**

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

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for approval of a reservation of 2022 and/or 2023 Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,190,000 and preliminary approval of a taxable construction to permanent leasehold first mortgage loan in an amount not to exceed \$11,250,000, of which \$2,225,000 will remain as permanent debt, and a leasehold HOME Investment Partnerships Program (“HOME Program”) loan in the amount of \$994,784 for West House II (“West House II” or the “Development”), a 54 unit rental housing development to be located at 417 Forest Avenue in Middletown, Rhode Island. Church Community Housing Corporation (“CCHC”) is the developer (the “Developer”).

West House II will be a three-story addition to West House I, a 50-unit U.S. Department of Housing and Urban Development (“HUD”) Section 202 housing development that was built in 1996. Residents of the proposed Development will utilize the existing West House I parking and common area which includes a chapel, nurses’ office, library, game and fitness room, double dining room and coffee shop and computer lab. Because West House II does not need to include common space in the new Development, the overall total development cost is comparatively low. The proposed Development will be restricted to residents that are 55 and older. Since the application submission in December 2021, the Development has received preliminary approval from the Middletown Planning Board. Final approval will be administrative.

West House II will enter a 99-year ground lease with the West House I owner. The Development will be designed to meet passive house certifications and will include a large solar array on the roof. Of the 54 units, six one-bedroom units will be available to households earning 30% AMI and will be subsidized with HUD Section 811 vouchers which provides supportive housing for persons with disabilities. The remaining 34 one-bedroom units and 14 two-bedroom units will be available to households earning 60% AMI.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded the 6th highest score to West House II in the 2022 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2022 Qualified Allocation Plan (“QAP”).

CCHC requested Housing Trust Funds (“HTF”). However, it did not receive an award of HTF due to an over-subscription of requests for the HTF program. CCHC will need to apply for gap funds from another source such as Building Homes Rhode Island, RI Rebounds Production Fund or the Housing Production Fund.

Subject to certain conditions as set forth in the attached Resolution, this RFA requests approval of a reservation of 2022 and/or 2023 LIHTC in an amount not to exceed \$1,190,000, and preliminary approval of a leasehold construction mortgage loan in an amount not to exceed \$11,250,000, of which \$2,225,000, will remain as permanent debt and a leasehold HOME Program loan in the amount of \$994,784.

## **ATTACHMENTS**

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

**Attachment A  
Credit Summary**

**Approval Loan Recommendation Summary – WEST HOUSE II**

**Preliminary:**  \_\_\_\_\_

**Firm** \_\_\_\_\_

**Date:** April 13, 2022

**Project:** New construction of 54 affordable housing units in Middletown, RI comprised of 40 one-bedroom and 14 two-bedroom units

**Development Team**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Sponsor/Developer</b>	Church Community Housing Corporation (CCHC)	Newport, RI	Low
<b>Mortgagor</b>	TBD		
<b>Architect</b>	Union Studio Architecture & Community Design, Inc.	Providence, RI	Low
<b>General Contractor</b>	J2 Construct, Inc.	Middletown, RI	Low
<b>Legal</b>	Chace Rutenburg & Freedman, LLP	Providence, RI	Low
<b>Management Agent</b>	Phoenix Property Management, Inc.	Warwick, RI	Low
<b>Consultant</b>	Barbara Sokoloff Associates, Inc.	Providence RI	Low
<b>Syndicator</b>	National Equity Fund	New York, NY	Low

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b> (for scattered sites, add list at end of summary)	417 Forest Avenue	Middletown
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Construction/Bridge Loan	\$11,250,000	4.00%/3 Years
Permanent Loan	\$2,225,000	5.00%/30 Years
HOME Loan	\$994,784	AFR/30 years

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	\$2,225,000	\$41,204
RIH HOME Loan	\$994,784	\$18,422
HPF/BHRI/RIRPF	\$1,405,216	\$26,023
LIHTC Proceeds	\$10,946,905	\$202,720
<b>Total Sources</b>	<b>\$15,571,905</b>	<b>\$288,369</b>

Uses	Preliminary	
	Amount	Per Unit
Construction	\$11,552,331	\$213,932
Contingency	\$577,617	\$10,697
Soft Costs	\$1,390,901	\$25,757
Financing	\$633,975	\$11,740
Developer Fee	\$1,020,600	\$18,900
Operating Reserve	\$327,807	\$6,071
Replacement Reserve Year 1 Deposit	\$17,550	\$325
Other Reserves	\$51,125	\$947
<b>Total Uses</b>	<b>\$15,571,905</b>	<b>\$288,369</b>

**\$1,190,000 LIHTC @ \$.92/credit**

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	<b>\$288,369</b>	<b>\$281,026 without reserves</b>
Residential Vacancy Rate	<b>7%</b>	
DCR Yr 1	<b>1.36</b>	
DCR Yr 15	<b>1.19</b>	
NOI	<b>\$195,069</b>	
Income Trending	<b>2.0%</b>	
Expense Trending	<b>3.0%</b>	
Loan to Value	<b>TBD</b>	<b>Appraisal to be commissioned</b>
Initial Installment (%) of syndication proceeds	<b>10%</b>	<b>This is less than the required 15%.</b>
Acquisition Price equal to or less than Appraised value	<b>N/A</b>	<b>Building will be on a ground lease.</b>
Operating Reserve (Amt and confirm consistency with UW requirements)	<b>\$327,807</b>	<b>Below required \$340,630</b>
Replacement Reserve (Amt and confirm consistency with UW requirements)	<b>\$17,550</b>	<b>\$325 per unit</b>

**Deviations from standard underwriting –**

- Operating Reserve below typical will be corrected for firm to reflect 6 months of Debt Service and 6 months of OpEx.
- The proposed initial installment of syndication equity at closing is less than the required 15%. This will need to be adjusted prior to firm approval.

**Unit Distribution and Revenue**

<b>Unit</b>	<b>Rent Type</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>LIHTC Max Rent</b>	<b>Gross Rent as a % of LIHTC Max Rent</b>	<b>Discount from Market Rent</b>
1	30%	6	\$ 1,319.00	\$ 595.00	222%	0.0%
1	60%	34	\$ 1,115.00	\$ 1,191.00	94%	0.0%
2	60%	14	\$ 1,340.00	\$ 1,429.00	94%	0.0%
<b>Total</b>		<b>54</b>				<b>0.0%</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,** 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,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in year 2022 as follows:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTC</b>	<b>RIHousing 1<sup>st</sup> Mortgage</b>	<b>HOME Program</b>
Church Community Housing Corporation	West House II	\$1,190,000	\$11,250,000	\$994,784

**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 and/or 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 Development each acting singly are hereby empowered and directed to take any and all actions they deem 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 preliminary commitment of up to \$11,250,000 for a taxable leasehold first mortgage loan of which \$2,225,000 will remain as permanent debt to the Borrower for rental housing known as West House II to be located in Middletown, Rhode Island.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves a leasehold HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$994,784 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;

- Availability of subordinate financing 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 first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- RIHousing approval of the ground lease between West House I and West House II;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for approval is consistent with Borrower's application submission for 2022 LIHTC;
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- 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 Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.