

**Request for Action
by the Trustees of the
Affordable Housing Trust Fund**

Approval of Preservation Loan Program Fund Financing for Ralph R. aRusso Manor

A. Project Summary

This Request for Action (“RFA”) is for approval of financing under the Preservation Loan Program Fund (“PLPF”) for Ralph R. aRusso Manor located in Johnston (the “Development”). The PLPF was created to provide a flexible source of capital to be utilized for the preservation of existing affordable housing with priority given to developments previously financed by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”).

B. Summary of Issues

RIHousing’s portfolio includes approximately 13,000 affordable apartments. In addition, more than 1,430 affordable residential homes have been financed under the state’s HOME Investment Partnerships Program. Many of these affordable apartments need improvements. These apartments were constructed and/or rehabilitated in the 1990s and are beyond the initial 15-year tax credit compliance term. Several developments lack adequate reserves to conduct necessary improvements to ensure that residents are housed in a safe and healthy environment. In addition, there are unrestricted apartments in the Rhode Island market currently available for developers to acquire, rehabilitate and deed restrict to ensure long term affordability. Thus, there is a need to upgrade these affordable apartments and homes to meet health and safety standards, make necessary improvements and address physical deterioration due to wear and tear.

The Affordable Housing Trust Fund (the “AHT”) has designated \$16,000,000 for the PLPF. In March 2018, RIHousing issued the Program Guidelines and a Request for Proposals (“RFP”) for the PLPF financing. Applications are being accepted on a rolling basis.

Ralph R. aRusso Manor (“aRusso Manor”) is an existing 22-unit affordable housing development, within two buildings, located at 150 Greenville Avenue in Johnston. The Development, which was originally constructed in 1990 and has had little investment since then, is in need of substantial rehabilitation. All 22 units are subsidized by a project-based voucher (“PBV”) contract from RIHousing. The initial regulatory agreement expires in September 2023 and the expectation is that the contract will be renewed. In addition to this PLPF allocation, Rosemont Associates, Inc. (“Rosemont”) is seeking a permanent loan and gap financing to rehabilitate aRusso Manor and preserve it as affordable housing for the next 30 years.

The original equity investor in aRusso Manor was the Rhode Island Housing Equity Pool. Rosemont proposes to complete a Transfer of Physical Assets as part of the refinance/rehabilitation of this property and replace the limited partner with an affiliate of Rosemont Associates. As part of the refinance, the existing senior loan will be repaid, and the borrower will request that RIHousing roll over an existing Targeted Loan.

The buildings are in substandard condition. The current scope includes apartment upgrades including all new kitchens, bathrooms, flooring, painting, interior and exterior doors, baseboard heat, and air conditioning units. Common area improvements include upgrading the elevator, replacing common area flooring, ceilings, stair risers and treads, and repainting the common areas. Exterior improvements include all new roofs, windows, siding, sidewalks, improved drainage, and repaving the parking lot. The detailed scope of work and budget were prepared by the architect and a general contractor.

Staff from the Development Division, including the Design and Construction team, and Asset Management Department have reviewed the application for eligibility in accordance with the Program Guidelines and determined that Rosemont's proposal is consistent with the requirements of the PLPF and will help to refinance and stabilize the Development. Some of the PLPF loan will be used for predevelopment costs associated with the Capital Needs Assessment and architectural costs.

This RFA requests approval of financing under the PLPF for Ralph R. aRusso Manor subject to certain conditions set forth in the attached Resolution.

C. Attachments

- A. Development Summary
- B. Resolution

Attachment A

Development Summary

Development Team:

Development	Ralph R. aRusso Manor (aRusso Manor)
City/Town	Johnston
Development Team	
Sponsor	Rosemont Associates, Inc.
General Contractor	Pezzuco Construction, Inc.
Architect	Branch Architects LLC
Property Manager	Town of Johnston Housing Authority
Consultant	Barbara Sokoloff Associates, Inc.
Syndicator	N/A
LIHTC Request	N/A

Finance Summary:

Sources	Amount	Per Unit
RIH First Mortgage	\$925,000	\$42,045
Assumed Debt (Rollover)	\$237,166	\$10,780
Preservation Loan Fund Program	\$660,000	\$30,000
CDBG	\$684,701	\$31,123
BHRI	\$1,454,282	\$66,104
Total Sources	\$3,961,149	\$180,052

Uses	Amount	Per Unit
Construction	\$2,575,500	\$117,068
Contingency	\$257,550	\$11,707
Acquisition	\$443,398	\$20,154
Soft Costs	\$317,255	\$14,421
Financing	\$42,000	\$1,909
Developer Fee	\$128,775	\$5,853
Operating Reserve	\$133,171	\$6,053
Replacement Reserve Year 1 Deposit	\$44,000	\$2,000
Other Reserves	\$19,500	\$886
Total Uses	\$3,961,149	\$180,052

Units and Revenue:

Unit	Rent Type	Number of Units	Gross Rent		Net Rent
1	50%	22	\$	1,181.00	\$ 1,129.00
Total		22			

Attachment B

Resolution of the Trustees of the Affordable Housing Trust Fund

- Whereas,** the Affordable Housing Trust Fund (the “AHT”) was created by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) for the sole purpose of making homeownership to low- and moderate-income residents of the State of Rhode Island more affordable;
- Whereas,** one of the purposes of the AHT is to assist in the preservation of affordable housing throughout the State of Rhode Island;
- Whereas,** the AHT has increased its investment portfolio over the last several years through its preservation related activities; and
- Whereas,** the AHT created the Preservation Loan Program Fund and has set aside \$16,000,000 to assist in the preservation of affordable housing.

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** that subject to the special conditions listed below, the AHT be, and is hereby authorized, to commit up to \$660,000.00 in funding to Rosemont Associates, Inc. or an affiliated entity of Rosemont Associates, Inc. (the “Borrower”) to finance the rehabilitation of the multi-family development known as Ralph R. aRusso, 150 Greenville Avenue, Johnston, RI.
- Resolved,** that the foregoing resolution is subject to the following conditions:
- Approval of financing from RIHousing, except for up to \$100,000 in predevelopment expenses approved by RIHousing, and deemed necessary to complete the final underwriting, plans and specification, which can be expended prior to closing on the balance of the financing.
 - Final approval by RIHousing of construction plans, specifications, and supporting construction documentation.
 - Execution and delivery by Rosemont Associates, Inc. or affiliate of a Construction Completion Guaranty in form and substance satisfactory to any lender and RIHousing.
 - Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Resolved,** that the RIHousing 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.