

**Request for Action
by
Board of Commissioners**

**Rescission of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Revised Preliminary Approval of Financing for
School Street Apartments (Central Falls)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for (i) the rescission of a previous reservation of Low-Income Housing Tax Credits (LIHTC); (ii) preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt loan in an amount not to exceed \$15,000,000, of which up to \$3,100,000 will remain as a permanent first mortgage; and (iii) revised preliminary approval of a Housing Production Fund loan in an amount not to exceed \$4,683,307 (the “HPF Loan”) for School Street Apartments (“School Street” or the “Development”). Central Falls Affordable Housing Corporation (the “Developer”) is the developer.

B. DISCUSSION

At the April 17, 2025 RIHousing Board of Commissioners meeting, the Development was awarded 9% LIHTC, permanent taxable financing, and several sources of ancillary financing for the construction of School Street Apartments, a six-story 58-unit building for families earning up to 60% of area median income (“AMI”) (“Preliminary Approval”). There will be 11 one-bedroom, 25 two-bedroom, and 22 three-bedroom units upon completion, and 12 units will be reserved for households earning up to 30% of AMI. The improvements will feature a mail room, shared laundry, a community room, and a social service space. A Central Falls Police Substation will be located on-site.

Following Preliminary Approval, additional due diligence revealed that School Street could be developed using tax-exempt bonds and 4% LIHTC rather than 9% LIHTC. By converting to a 4% tax-exempt structure, the Developer can raise more LIHTC equity because there is no cap on the eligible basis or credit eligibility.

This rescission and modification will allow RIHousing to allocate the previously awarded 9% LIHTC to another development project and to reduce the Housing Production Fund loan by \$1,804,445. Other than the financing modifications contemplated herein, there are no other changes to the proposed School Street project.

The revised capital stack is comprised of the following sources: (i) a tax-exempt construction to permanent first mortgage; (ii) equity from the sale of 4% LIHTC; (iii) the revised HPF Loan; (iv) a previously preliminarily awarded Capital Magnet Fund Loan; (v) a previously preliminarily awarded HOME-ARP Loan; (vi) a previously preliminarily awarded Housing Trust Fund Loan (vii) equity from the sale of State LIHTC; and (viii) a Deferred Developer Fee.

By this RFA, staff recommends for approval the attached resolutions providing for (i)

rescission of the reservation of 9% LIHTC; (ii) preliminary approval of a tax-exempt loan in an amount not to exceed \$15,000,000, of which \$3,100,000 would remain as a permanent first mortgage; and (iii) revised preliminary approval of a Housing Production Fund loan in an amount not to exceed \$4,683,307 for School Street Apartments, subject to certain conditions as set forth therein.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

Attachment A

Credit Summary

Approval Loan Recommendation Summary – School Street Apartments

Preliminary (revised) _____

Firm _____

Date: May 15, 2025

Project: This new construction will comprise 58 units for households with incomes up to 60% of AMI, including 12 units for households earning up to 30% of AMI. Upon completion, there will be 11 one-bedroom, 25 two-bedroom, and 22 three-bedroom units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Central Falls Affordable Housing Corporation	Central Falls, RI	Medium
Mortgagor	Entity to be formed		
Architect	William Starck Architects, Inc.	Fall River, MA	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	Phoenix Property Management, Inc.	Warwick, RI	Medium
General Contractor	STAND Corporation	Warwick, RI	Low
Consultant	FJS Associates, Ltd.	Middletown, RI	Low
Syndicator	TBD		

Executive Summary

Property Address	4-6 School Street	Central Falls
Proposed Loan Amount(s) and Terms		
Tax Exempt Loan	\$15,000,000	7.00%, 40 Years
Construction/Bridge Loan	\$11,900,000	7.00%, 24 months
Permanent Loan	\$3,100,000	7.00%, 40 Years
HPF Loan	\$4,683,307	0.00%, 40 Years
Capital Magnet Fund Loan	\$372,100	1.00%, 40 Years
HOME-ARP Loan	\$2,000,000	0.00%, 40 Years
Housing Trust Fund Loan	\$1,530,525	0.00%, 40 Years

Note: Interest rates are subject to change based on market conditions.

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$3,100,000	53,448
HPF	\$4,683,307	80,747
Capital Magnet Fund	\$372,100	6,416
HOME ARP	\$2,000,000	34,483
HTF	\$1,530,525	26,388
LIHTC Proceeds	\$13,205,002	227,672
State LIHTC	\$3,495,283	60,264
Deferred Development Fee	\$600,000	10,345
Total Sources	\$28,986,217	499,762

Uses	Amount		Per Unit	
	Amount	Per Unit	Amount	Per Unit
Construction	\$21,650,000	\$373,276		
Contingency	\$1,515,550	\$26,130		
Acquisition	\$250,000	\$4,310		
Soft Costs	\$2,118,500	\$36,526		
Financing	\$1,066,797	\$18,393		
Developer Fee	\$1,856,640	\$32,011		
Operating Reserve	\$417,925	\$7,206		
Lease Up Reserve	\$25,000	\$431		
Replacement Reserve Year 1 Deposit	\$18,850	\$325		
Other Reserves	\$66,955	\$1,154		
Total Uses	\$28,986,217	\$499,762		

\$1,435,470 LIHTC @ \$0.92/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$499,762	\$490,646 net of reserves.
Residential Vacancy Rate	5.00%	
DCR Yr 1	1.22	
DCR Yr 15	1.15	
NOI	\$282,196	
Income Trending	2.00%	
Expense Trending	3.00%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	15%	

Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$417,925	Six months of debt service and six months of operating expenses
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$18,850	\$325/Unit

Deviations from standard underwriting – None.

Extraordinary Conditions Affecting Total Development Cost (“TDC”):

- Unsuitable soils (approximately \$750,000);
- Additional structural costs due to six-story structure with two elevators; and
- Solar with RNC Tier II (approximately 3-5% cost increase).

The TDC is approximately \$15,000 per unit higher using the 4% LIHTC execution due to the following:

1. An increase in construction interest and cost of issuance associated with the bonds; and
2. An increase in the developer fee to generate additional LIHTC. The additional fee has been deferred.

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
1	30%	2	\$ 1,265.00	\$ 632.00	200%	0.0%
1	60%	6	\$ 1,265.00	\$ 1,265.00	0%	0.0%
1	30%	3	\$ 632.00	\$ 632.00	0%	0.0%
2	30%	3	\$ 1,518.00	\$ 759.00	200%	0.0%
2	60%	21	\$ 1,518.00	\$ 1,518.00	0%	0.0%
2	30%	1	\$ 876.00	\$ 759.00	115%	0.0%
3	30%	2	\$ 1,753.00	\$ 876.00	200%	0.0%
3	60%	19	\$ 1,753.00	\$ 1,753.00	0%	0.0%
3	30%	1	\$ 876.00	\$ 876.00	0%	0.0%
Total		58				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, 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 bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas, Central Falls Affordable Housing Corporation (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>	<u>HPF Loan</u>
School Street Apartments	Central Falls Affordable Housing Corporation	\$15,000,000	\$4,683,307

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 mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$15,000,000 for rental housing known as School Street Apartments located in Central Falls, 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 \$15,000,000 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 award of up to \$1,200,000 of allocated 2025 and/ or 2026 LIHTC be rescinded for rental housing known as School Street Apartments located in Central Falls, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a revised preliminary commitment of up to \$4,683,307 for a Housing Production Fund loan to the Borrower for rental housing known as School Street Apartments to be located in Central Falls, Rhode Island.

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

- Final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating support for the acquisition price and that the first mortgage loans do not exceed 90% of the as-is value of the Development and that sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Approval of an allocation of State LIHTC and State LIHTC syndication equity 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; without limiting the foregoing, all necessary approvals by CDFI Fund relative to the Capital Magnet Fund loan;
- Draft 955/Developer Tax Certificate along with 50% bond test;
- Completion of a HUD Risk Share application by Developer;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any other lender;
- Approval by RIHousing of design and construction plans, specifications and construction documentation;
- Receipt and approval of all documentation RIHousing deems necessary to comply with the requirements of the Build America, Buy America Act;
- Approval of the proposed operating budget for the development, including a detailed secondary budget outlining the provision of supportive services;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing; and
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements; and

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.