

**Request for Action
by
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Preliminary Approval of Financing for Center City Apartments 9% (East
Providence)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2024 and/or 2025 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,625,000 and preliminary approval of (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable first mortgage loan in an amount not to exceed \$4,000,000; (ii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$999,000; (iii) a HOME-American Rescue Plan Program (“HOME-ARP”) Loan in an amount not to exceed \$2,000,000; (iv) a Development of Affordable Housing 2 Program (“DAH-2”) Loan in an amount not to exceed \$2,006,861; and (v) Community Revitalization Program (“CRP”) funding in an amount not to exceed \$993,139 for Center City Apartments 9%, a 95-unit affordable housing development to be located in East Providence, Rhode Island (the “Development”). The developer of Center City Apartments is Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONE Neighborhood Builders” or the “Developer”).

The Developer has partnered with Foster Forward, Family Service of Rhode Island, and Crossroads of Rhode Island, a partnership known as the Taunton Avenue Collaborative (the “Collaborative”). The Collaborative intends to develop a three-acre blighted site located at 330, 350 and 354 Taunton Avenue into 144 new affordable apartments in two new construction buildings and an existing building which would require extensive renovations. The allocation of 9% LIHTC will result in 95 new units at 330 and 350 Taunton Avenue, consisting of 41 newly constructed units and 54 rehabilitated units in the existing building. The remaining 49 units envisioned by the Collaborative are part of a standalone building and will be simultaneously developed in a tax-exempt bond/4% LIHTC transaction which is the subject of a separate RFA.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2023. The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded the Development one of the highest scores in the 2024 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2024 Qualified Allocation Plan (“QAP”).

The Development will utilize income averaging, which will allow all 95 units at the Development to be fully affordable to households with incomes at or below 80% of area median income (“AMI”). Of the 95 units, 31 will be affordable to households with incomes at or below 30% of AMI, 31 will be affordable to households with incomes at or below 60% of AMI, and 33 will be affordable to households with incomes at or below 80% of AMI. Bedroom sizes range from efficiency to three-bedroom.

In addition to the resources being recommended in this RFA, the capital stack is anticipated to include ERA2 Development Financing funding, to be allocated to the Development by means of a subaward agreement between RIHousing and the State, a Priority Projects Fund (“PPF”) award from the Department of Housing, a Community Development Block Grant (“CDBG”) award from the City of East Providence, a number of private grants, a second mortgage from the Rhode Island Foundation, and a federal earmark.

This RFA requests a reservation of 2024 and/or 2025 9% LIHTC in an amount not to exceed \$1,625,000 and preliminary approval of (i) a taxable first mortgage loan in an amount not to exceed \$4,000,000; (ii) a CMF Loan in an amount not to exceed \$999,000; (iii) a HOME-ARP Loan in an amount not to exceed \$2,000,000; (iv) a DAH-2 Loan in an amount not to exceed \$2,006,861; and (v) CRP funding in an amount not to exceed \$993,139 for Center City Apartments 9%, 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 – Center City Apartments 9%

Preliminary X

Firm _____

Date: May 16, 2024

Project: New construction of 95 affordable apartments in East Providence comprised of 13 efficiency, 20 one-bedroom, 43 two-bedroom, and 19 three-bedroom units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	Low
Mortgagor	ONE Neighborhood Builders	Providence, RI	Low
Architect	Union Studio Architecture and Community Design, Inc.	Providence, RI	Low
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	Peabody Properties, Inc.	Braintree, MA	Low
General Contractor	TBD		
Syndicator	TBD		

Executive Summary

Property Address	330 & 350 Taunton Ave.	East Providence
Proposed Loan Amount(s) and Terms		
Permanent 1 st Mortgage	\$4,000,000	7.5%, 40 years
CMF Loan	\$999,000	1%, 40 years
HOME-ARP Loan	\$2,000,000	0%, 40 years
CRP Funding	\$993,139	N/A
DAH-2 Loan	\$2,006,861	0%, 40 years

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

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Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$4,000,000	42,105
RI Foundation	\$3,000,000	31,579
Capital Magnet Fund	\$999,000	10,516
Priority Projects Fund	\$8,335,000	87,737
HOME-ARP	\$2,000,000	21,053
Building Homes Rhode Island	\$582,437	6,131
ERA2	\$3,500,000	36,842
Community Development Block Grant	\$154,000	1,621
DAH-2	\$2,006,861	21,125
Community Revitalization	\$993,139	10,454
Federal Earmark	\$1,320,000	13,895
LIHTC Proceeds	\$14,948,505	157,353
Deferred Development Fee	\$500,000	5,263
Champlin Foundation	\$250,000	2,632
RI Foundation & Housing Ministries NE & LISC Grant	\$165,000	1,737
Total Sources	\$42,753,942	450,041
Uses	Amount	Per Unit
Construction	\$31,850,001	\$335,263
Contingency	\$1,493,284	\$15,719
Acquisition	\$3,000,000	\$31,579
Soft Costs	\$2,336,875	\$24,599
Financing	\$1,265,000	\$13,316
Developer Fee	\$2,018,940	\$21,252
Operating Reserve	\$658,975	\$6,937
Lease Up Reserve	\$13,200	\$139
Replacement Reserve Year 1 Deposit	\$30,875	\$325
Other Reserves	\$86,793	\$914
Total Uses	\$42,753,942	\$450,041

\$1,625,000 LIHTC @ \$.92

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$450,041	\$441,727 without reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.17	
DCR Yr 15	1.22	
NOI	\$495,093	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be

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		commissioned
Initial Installment (%) of syndication proceeds	20%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$658,975	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$30,875	\$325 per unit

Deviations from standard underwriting – None

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
EFF	30%	13	\$ 500.00	\$ 537.00	93%	50.3%
1	30%	8	\$ 575.00	\$ 576.00	100%	50.9%
1	30%	7	\$ 960.00	\$ 576.00	167%	31.9%
2	30%	3	\$ 1,152.00	\$ 691.00	167%	32.8%
1	60%	4	\$ 1,152.00	\$ 1,152.00	0%	1.6%
2	60%	18	\$ 1,383.00	\$ 1,383.00	0%	1.8%
3	60%	9	\$ 1,597.00	\$ 1,597.00	0%	6.9%
1	80% LIHTC	1	\$ 1,412.00	\$ 1,537.00	92%	0.0%
2	80% LIHTC	22	\$ 1,697.00	\$ 1,844.00	92%	0.0%
3	80% LIHTC	10	\$ 1,952.00	\$ 2,130.00	92%	31.5%
Total		95				18.9%

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 Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“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 calendar year 2024 and / or 2025 as follows:

Applicant	Development	9% LIHTC	Taxable Loan	CMF Loan
Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Center City Apartments	\$1,625,000	\$4,000,000	\$999,000

DAH-2 Loan	CRP Funds	HOME-ARP Loan
\$2,006,861	\$993,139	\$2,000,000

- 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 \$1,625,000 of allocated 2024 and/or 2025 LIHTC be reserved for the Applicant or an affiliated entity of the Applicant (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 applicant 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 \$4,000,000 for a taxable permanent loan to the Borrower for rental housing known as Center City Apartments to be located in East Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$999,000 of Capital Magnet

Fund funding to the Borrower for rental housing known as Center City Apartments to be located in East Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$2,000,000 of HOME-American Rescue Plan Program funding to the Borrower for rental housing known as Center City Apartments to be located in East Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$2,006,861 for a Development of Affordable Housing – 2 loan to the Borrower for rental housing known as Center City Apartments to be located in East Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of \$993,139 of Community Revitalization Program funding to the Borrower for rental housing known as Center City Apartments to be located in East Providence, Rhode Island.

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

- Final appraisal and market study 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 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;
- The simultaneous closing of Center City Apartments 9% and 4%;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility, including Priority Projects Fund funding, or the availability of alternative equity satisfactory to RIHousing;
- Approval from East Providence verifying real estate tax assessment at no more than 8% of gross potential income;
- A taxable construction loan from an acceptable lender in an amount sufficient to achieve project feasibility;
- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- 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;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for firm approval are consistent

with Borrower's application submission for 2024 LIHTC;

- 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.