

**Request for Action  
by  
Board of Commissioners**

**Revised Firm Approval of Tax-Exempt Financing for The Avenue (Providence)**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for revised firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$16,000,000, of which \$3,400,000 will remain as a permanent first mortgage, for The Avenue (hereinafter referred to as the “Development”). Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONE NB” or the “Developer”) is the developer.

The Development received preliminary approval from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”) and firm approval on January 11, 2024 (“Firm Approval”). While the other RIHousing financing outlined in the Firm Approval remains unchanged, this RFA recommends an increase in the tax-exempt financing from \$15,500,000 to \$16,000,000 due to a number of factors discussed below.

**B. DISCUSSION**

The Development consists of two separate components that will comprise one single economic entity. One component, Elmwood Neighborhood Revitalization II (“ENR II”), is an existing post-year-15 low-income housing tax credit (“LIHTC”) project for families. ENR II contains 46 units located on scattered sites in the Elmwood neighborhood of Providence. The units range in size from one to four bedrooms. ENR II has historically run with a 2% vacancy rate. The units need moderate rehabilitation to ensure they are maintained as safe, affordable housing for families in Providence. The second component is the new construction of 39 units of housing on a vacant site located at 434 Atwells Avenue in the Federal Hill neighborhood of Providence. The residential units will be located on floors 2-5 with commercial space and project amenities located on the first floor.

Since Firm Approval, an updated appraisal resulted in a value higher than what was carried in the previous RFA for Firm Approval. While the source of funds to purchase the ENR II properties is a non-cash transaction utilizing the assumption of existing debt, the higher tax basis resulting from the higher value has pushed the cushion to satisfy the IRS 50% bond test down to 50.65%. The recommended increase in the tax-exempt loan adds a cushion of 2% to the 50% bond test, which meets the syndicators’ requirements. In addition, the Total Development Cost (“TDC”) has increased nearly \$751,500 since Firm Approval. These increases can be mostly attributed to the acquisition cost increase and soft cost related items.

Aside from the recommended increase in the tax-exempt loan, the remaining transaction remains unchanged. The loan documents and due diligence are nearly complete, and closing is scheduled to occur immediately upon approval of this RFA.

**C. RECOMMENDATION**

This RFA requests revised firm approval of tax-exempt financing in an amount not to exceed \$16,000,000, of which \$3,400,000 will remain as a permanent first mortgage.

The attached resolution for revised firm approval of tax-exempt financing for The Avenue is recommended for approval subject to certain conditions as set forth in the attached Resolution.

**D. ATTACHMENTS**

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

**Attachment A**

**Credit Summary**

**Approval Loan Recommendation Summary – The Avenue**

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

**Firm**   X  

**Date:** June 20, 2024

**Project:** New construction of 39 units and the preservation of 46 units located in the Federal Hill and Elmwood neighborhoods of Providence, respectively.

**Development Team**

	<b>Name</b>	<b>Location</b>	<b>Risk Rating</b>
<b>Sponsor/Developer</b>	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	Providence, RI	Low
<b>Mortgagor</b>	The Avenue L.P.		
<b>Architect</b>	DBVW Architects, Inc.	Providence, RI	Low
<b>Legal</b>	Klein Hornig LLP	Boston, MA	Low
<b>Management Agent</b>	Peabody Properties, Inc.	Braintree, MA	Low
<b>General Contractor</b>	Pezzucio Construction, Inc.	Cranston, RI	Low
<b>Syndicator</b>	National Equity Fund, Inc.	Chicago, IL	Low

**Executive Summary**

<b>Property Address</b>	Scattered Sites	Providence
<b>Proposed Loan Amount(s) and Terms</b>		
Tax-Exempt Loan	\$16,000,000	
Construction/Bridge Loan	\$12,600,000	5.15%/3-year term
Permanent Loan	\$3,400,000	6.5%/40-year term

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

## Proposed Sources & Uses:

Sources	Firm (January 11, 2024)		Delta	Firm (June 20, 2024)	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,400,000	40,000	\$0	\$3,400,000	\$40,000
Building Homes Rhode Island	\$3,445,000	40,529	\$0	\$3,445,000	\$40,529
Preservation Loan Fund Program	\$1,500,000	17,647	\$0	\$1,500,000	\$17,647
Capital Magnet Fund	\$952,001	11,200	\$0	\$952,001	\$11,200
Community Revitalization	\$2,000,000	23,529	\$0	\$2,000,000	\$23,529
DAH-2	\$3,874,000	45,576	\$0	\$3,874,000	\$45,576
Rollover Debt	\$1,755,451	20,652	\$426,483	\$2,181,934	\$25,670
City of Providence	\$802,000	9,435	\$0	\$802,000	\$9,435
LIHTC Proceeds	\$13,045,349	153,475	\$263,261	\$13,308,610	\$156,572
Deferred Development Fee	\$693,000	8,153	\$56,644	\$749,644	\$8,819
Existing ENR II Reserves	\$266,550	3,136	\$5,116	\$271,666	\$3,196
<b>Total Sources</b>	<b>\$31,733,351</b>	<b>373,334</b>	<b>\$751,504</b>	<b>\$32,484,855</b>	<b>\$382,175</b>
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$19,920,849	\$234,363	\$0	\$19,920,849	\$234,363
Contingency	\$1,449,350	\$17,051	\$0	\$1,449,350	\$17,051
Acquisition	\$2,830,451	\$33,299	\$424,549	\$3,255,000	\$38,294
Soft Costs	\$2,455,622	\$28,890	\$281,309	\$2,736,931	\$32,199
Financing	\$1,959,713	\$23,055	\$2,925	\$1,962,638	\$23,090
Developer Fee	\$2,414,422	\$28,405	\$0	\$2,414,422	\$28,405
Operating Reserve	\$508,353	\$5,981	\$15,228	\$523,581	\$6,160
Replacement Reserve Year 1 Deposit	\$104,675	\$1,231	\$0	\$104,675	\$1,231
Other Reserves	\$79,916	\$940	\$37,492	\$117,408	\$1,381
<b>Total Uses</b>	<b>\$31,733,351</b>	<b>\$373,334</b>	<b>\$751,503</b>	<b>\$32,484,855</b>	<b>\$382,175</b>

## Loan to Value Test: -

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$331,357	3,898	(\$3,904)	\$327,453	\$3,852
Appraisal Cap Rate	6.50%			6.50%	
Valuation	\$5,100,000	60,000	(\$62,261)	\$5,037,739	\$59,268
Loan Principal	\$3,400,000	40,000		\$3,400,000	\$40,000
LTV	66.67%		1%	67.49%	

## Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$382,175	
Residential Vacancy Rate	7.0%	
DCR Yr 1	1.37	
DCR Yr 15	1.28	
NOI	\$327,453	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	66.67%	
Initial Installment (%) of syndication proceeds	18.9%	
Acquisition Price equal to or less	Yes	Acquisition basis for credits

than Appraised value		is less than the appraisal.
Operating Reserve (Amt and confirm consistency with UW requirements)	\$523,581	Consistent with underwriting - six months operating expenses, replacement reserve deposits and debt service.
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$104,675	Consistent with underwriting – \$325 per unit for new units and \$2,000 per unit for existing.

### Deviations from standard underwriting – Yes

Transaction fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

### 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%	4	\$ 633.00	\$ 576.00	110%	68.2%
1	50%	1	\$ 930.00	\$ 960.00	97%	49.2%
2	50%	3	\$ 1,120.00	\$ 1,152.00	97%	48.3%
3	50%	1	\$ 1,290.00	\$ 1,331.00	97%	49.7%
1	60%	2	\$ 1,090.00	\$ 1,152.00	95%	39.0%
2	60%	10	\$ 1,310.00	\$ 1,383.00	95%	37.8%
3	60%	1	\$ 1,500.00	\$ 1,597.00	94%	39.9%
1	30%	3	\$ 1,066.00	\$ 576.00	185%	40.5%
2	30%	3	\$ 1,306.00	\$ 691.00	189%	38.1%
3	30%	3	\$ 1,450.00	\$ 798.00	182%	42.2%
EFF	60%	2	\$ 1,010.00	\$ 1,075.00	94%	35.4%
1	60%	7	\$ 1,080.00	\$ 1,152.00	94%	39.6%
2	60%	6	\$ 1,300.00	\$ 1,383.00	94%	38.4%
3	60%	15	\$ 1,475.00	\$ 1,597.00	92%	41.0%
4	60%	2	\$ 1,550.00	\$ 1,782.00	87%	52.8%
1	80% LIHTC	4	\$ 1,400.00	\$ 1,537.00	91%	19.2%
2	80% LIHTC	13	\$ 1,700.00	\$ 1,844.00	92%	16.5%
3	80% LIHTC	2	\$ 1,795.00	\$ 2,130.00	84%	26.0%
2	30%	1	\$ 1,742.00	\$ 691.00	252%	0.0%
3	30%	1	\$ 2,076.00	\$ 798.00	260%	0.0%
3	30%	1	\$ 2,163.00	\$ 798.00	271%	0.0%
<b>Total</b>		<b>85</b>				<b>35.5%</b>

**Property Addresses:**

<b>Property Addresses</b>		
New Production	433 Atwells Avenue	Providence
ENR II	9 Moore St./691 Broad St.	Providence
ENR II	11-13 Moore St.	Providence
ENR II	50-52 Moore St.	Providence
ENR II	54-56 Moore St.	Providence
ENR II	17 Mawney St.	Providence
ENR II	34 Mawney St.	Providence
ENR II	40-42 Mawney St.	Providence
ENR II	44-46 Mawney St.	Providence
ENR II	75-77 Congress Ave.	Providence
ENR II	316 Elmwood Ave.	Providence
ENR II	213 Congress Ave.	Providence
ENR II	685 Broad St.	Providence

**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 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 authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

**Whereas,** Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Bond</u>
The Avenue	Olneyville Housing Corporation d/b/a ONE Neighborhood Builders	\$16,000,000

**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:

- (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 pursuant to the provisions of this chapter 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 RIHousing hereby grants firm approval of tax-exempt mortgage financing in an amount not to exceed \$16,000,000 to Applicant or an affiliated entity of the Applicant (the “Borrower”) for rental housing known as The Avenue in Providence to be financed, in part, by tax-exempt bonds.

**Resolved,** that RIHousing hereby declares that this firm 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 \$16,000,000 in mortgage funds for rehabilitation and new construction of the Development, 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 conditions:

- Closing of a Preservation Loan Program Fund loan from the Affordable



Housing Trust;

- Syndication equity from the allocation of low-income housing tax credits in an amount sufficient to achieve project feasibility;
- Final approval of plans and specifications by RIHousing, as well as related construction contract documentation;
- Approval by RIHousing of management documentation;
- Execution and delivery by the developer of a Construction Completion Guaranty in form and substance satisfactory to lender and RIHousing;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Closing of a subordinate financing loan with the City of Providence, or other substitute financing, in an amount sufficient to achieve project feasibility;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage; 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 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.