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**MINUTES OF MEETING
OF THE TRUSTEES OF THE
AFFORDABLE HOUSING TRUST**

A meeting of the Trustees of the Affordable Housing Trust Fund of Rhode Island Housing and Mortgage Finance Corporation was scheduled for Monday, September 10, 2012 at 9:00 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Trustees in attendance were Richard Godfrey and James DeRentis. Michael Milito, Deputy Assistant Director of Law and Human Resources was also present.

Pursuant to Chapter 46 of Title 42 of the General Laws of Rhode Island, notice of the meeting of the Trustees was posted in the Offices of Rhode Island Housing, and at the first floor bulletin board in the State House.

The Trustees convened the meeting at approximately 9:00 a.m.

Approval of Minutes of the Affordable Housing Trust Meeting of June 21, 2012

Upon a motion made by Mr. DeRentis and seconded by Mr. Godfrey, the following was approved:

VOTED: That the Minutes of the Affordable Housing Trust Meeting held on June 21, 2012 be, and hereby are, approved.

Firm Approval of Financing for The Four Sisters (1890 House; Harvard-Broad; Whitmarsh Apartments and Niagra Place Apartments)

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for Firm Approval of financing for the redevelopment of four existing affordable housing projects in Providence. Omni Development Corporation (“Omni”), a non-profit housing developer based in Providence, proposes to refinance and preserve 1890 House, Harvard Broad Apartments (“Harvard Broad”), Whitmarsh Apartments (“Whitmarsh”) and Niagara Place (“Niagara”) Apartments (collectively, the “Development”). The Development which will be known as the Four Sisters will consist of 95 elderly and family housing units located in 5 buildings in downtown Providence, the Southside and the Elmwood neighborhoods in Providence. Upon refinancing, the sites will operate as one development.

Preliminary approval for the Development was received in September, 2011. Since that time, several benchmarks have been met including the completion of architectural drawings, successful bid and selection of the Bailey Group as general contractor, approval of Historic Tax Credit eligibility for three of the sites and receipt of a firm commitment for Housing Tax Credits (“HTC”) from the National Equity Fund (“NEF”). NEF’s pricing has increased to \$.94 on both HTC and historic credits from \$.75 and \$.90 respectively since Preliminary Approval. The increase in equity pricing for HTC and historic credits amounts to an additional \$1.1M of equity.

Harvard Broad, Whitmarsh, and Niagara

Harvard Broad, Whitmarsh and Niagara Apartments are three small developments currently in the Rhode Island Housing portfolio. Harvard Broad has nine units in two buildings, which were built in 1875 and 1898. Whitmarsh, built in 1914, has 16 units in one building. Both Harvard Broad and Whitmarsh were moderately rehabilitated under Rhode Island Housing's Rental Production and Housing Tax Credit ("HTC") programs in 1994 and 1998. The initial compliance period for Harvard Broad ended in 2009 and will end in 2013 for Whitmarsh. National Equity Fund, the investor limited partner in both transactions has indicated that they will allow a refinance of Whitmarsh prior to 2013 without penalty. Niagara, which has 18 units, was originally built in 1988 and was financed by Rhode Island Housing in 1994 but no HTCs were utilized. There are no project based Section 8 certificates attached to any of these 43 units though some of the residents have Section 8 vouchers. Unit sizes range from 1 to 4 bedrooms.

These three projects suffer from deferred maintenance, primarily due to their small scale and independent operations, which generates limited revenue to address ongoing renovation needs. Each site will benefit from approximately \$600,000 in renovation upgrades including roofs, boilers, kitchen and unit upgrades, exterior upgrades and other items identified in a Capital Needs Assessment completed for each site.

The appraised value of Whitmarsh is less than the current outstanding amount of loans attached to the site. A portion of that debt is a \$300,000 loan in favor of Rhode Island Housing. The other debt is a City of Providence loan and a loan from the current general partner.

In order to avoid tax consequences associated with forgiveness of debt for the current owner of the Whitmarsh, Omni will purchase Whitmarsh for the full amount of the outstanding debt. Thereafter, the City and the general partner will forgive their outstanding debt, and Omni will repay the Rhode Island Housing debt with a grant from the Affordable Housing Trust. After the debt has been reduced, Omni will sell Whitmarsh to the new partnership.

1890 House

1890 House has 22 efficiency and 31 one-bedroom apartments. Fifty two (52) of these apartments are subject to a Project Based Housing Assistance Payment ("HAP") contract. Many of the current residents are non-elderly disabled. Omni purchased 1890 House in January 2011 from the previous owner who had notified HUD that he was "opting out" of the Section 8 program. Omni secured an acquisition loan from the Corporation for Supportive Housing ("CSH") for the purchase of the property. The loan has a three year term and is pre-payable at any time. As a condition of CSH providing the acquisition loan, Rhode Island Housing guaranteed Omni's obligations under the Note.

1890 House is a six-story brick building that was converted from a YWCA facility to a residential building in 1972. It underwent some additional renovation in the mid-1980s when it was purchased by the former owner. A Capital Needs Assessment completed by Omni identified significant deferred maintenance in the common areas, apartments and major building systems. The rehabilitation scope includes a new roof, new windows and other exterior envelope upgrades, improvements to the current fire alarm system, unit upgrades and common area improvements. In addition, the electric heating system will be converted to a new gas boiler

with a hot water system which should significantly lower operating expenses. Omni applied for and received a 20 year HAP contract from HUD.

From the outset, Omni's plan was to identify funding sources to provide supportive services for the residents. Given CSH's mission to stem homelessness and create supportive housing opportunities for the chronically homeless, they provided acquisition financing for the site. CSH has assisted Omni in entering into a services agreement with Riverwood Mental Health Services. Riverwood is providing case management for nine residents of the development.

Combining 1890 House with the three other sites will stabilize all of the sites financially for the long term by reducing duplicative costs and creating economies of scale in the operating budget. The construction contract was put out to bid and while bids were much higher than anticipated, significant value engineering was undertaken. Omni, in conjunction with the architect and contractor were able to reduce the costs by \$400,000 and keep the most essential renovation projects within the scope of work. Based on the final plans and specifications, the construction amount is \$1.3M higher than assumed in the preliminary approval.

All environmental testing has been completed. The Contractor and Developer are incorporating asbestos abatement plans into the contract scope. Lead abatement will be undertaken at Whitmarsh and Harvard Broad and Omni will coordinate an efficient tenant relocation plan with Winn Management to ensure adequate time for de-leading the 25 units designated at Harvard Broad and Whitmarsh. At 1890 House, units will be made lead safe and asbestos will be removed in common areas. Omni has intentionally left several units vacant to simplify relocation issues during rehabilitation.

The additional equity raised from NEF has helped to offset the increased costs of construction. The project was not awarded HOME funds or McKinney SHP funds leaving a gap of \$900,000. The Affordable Housing Trust ("AHT") loan was increased to cover this gap. In addition, Omni applied for and received a joint award of Lead Safe Homes funding from Rhode Island Housing (\$200,000) and the City of Providence (\$50,000) for the remediation of Harvard Broad and Whitmarsh.

The three older developments have a significant amount of existing deferred debt that is higher than the current appraised value. The existing amortizing debt will be repaid. The refinancing of these four properties ensures the preservation of 95 affordable apartments for an additional 40 years.

The primary sources of funding include a tax-exempt construction loan from Rhode Island Housing in the amount of \$5,500,000, of which \$900,000 will be converted to a permanent first mortgage with a 30 year term. In addition, there will be a second amortizing mortgage of \$1,700,000 which will have the same loan terms as the first mortgage. The \$900,000 loan will be insured under the FHA Risk Share program but the \$1,700,000 will not be insured. This bifurcation of amortizing debt is a result of NEF's concern that the HAP rents at 1890 House are higher than the tax credit rents and their insistence on underwriting as if the HAP will not be renewed. While the first mortgage is underwritten at the lower of market or tax credit rents, the second mortgage is underwritten assuming the continuation of the HAP rents at 1890 House. The combined loans have a debt service coverage ratio of 1.26 in year 1.

Other sources include the Affordable Housing Trust loan, equity from the sale of 4% housing tax credits and federal historic tax credits, a seller held loan, assumption of existing debt with Rhode Island Housing and the current general partner by the new ownership entity, Lead Safe Funds from Rhode Island Housing and the City of Providence, Fire Code funds from Rhode Island Housing, rollover of existing reserves at the projects and net income from ongoing operations during construction.

This Request for Action is for Commitment of financing in an amount not to exceed \$2,400,000 of which \$300,000 will be made as a grant to Omni Development Corporation to retire a portion of the debt owed to Rhode Island Housing secured by Whitmarsh Apartments and the remaining \$2,100,000 will be in the form of a loan to the new owner of The Four Sisters.

Upon a motion made by Mr. DeRentis and seconded by Mr. Godfrey the following resolution was unanimously adopted:

**Resolution of the Board of Trustees
of The Affordable Housing Trust Fund**

Whereas, The Affordable Housing Trust Fund (the “Trust”) is authorized to make loans and grants to mortgagors or sponsors for the development of housing to be occupied by low- and moderate-income persons or families in Rhode Island;

Whereas, The applicant (“Applicant”) listed below has presented an application to the Trust requesting assistance to refinance and rehabilitate 95 units of existing housing as set forth below (the “Development”):

Development	Applicant	AHT
The Four Sisters	Omni Development Corporation	2,400,000

Whereas, Trustees have reviewed the submission and determined that the Development qualifies for assistance under the Trust Agreement dated July 1, 1988, as amended; and

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, the Trust hereby declares firm commitment of financial assistance to Omni Development Corporation or its assignee in an amount not to exceed \$2,400,000, of which up to \$300,000 may be in the form of a grant and the balance in the form of a loan, to support the development of rental housing located in Providence, Rhode Island

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

- Evidence, satisfactory to the Trust, of sufficient financing to undertake the proposed transaction.

- Completion of all items required by Rode Island Housing for closing in accordance with normal underwriting and processing requirements.

Resolved, That the Trustees are authorized to set the terms and conditions of the grant and loan portion of the assistance as they deem advisable and in the best interests of the Trust, and be, and are hereby authorized to take any actions as they deem necessary to carry out this Resolution.

There being no further business, a motion to adjourn the meeting at 9.07 a.m. was made by Mr. Godfrey and seconded by Mr. DeRentis.

Respectfully submitted,

Richard Godfrey,
Secretary and Executive Director