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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 Wednesday, February 13, 2013 at 9:00 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Trustee in attendance was Richard Godfrey. Susan Bodington, Deputy Director for Programs and Michael Milito, Deputy Assistant Director of Law were 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 9:06 a.m.

Approval of Minutes of the Affordable Housing Trust Meeting of September 10, 2012

Mr. Godfrey motioned and approved the following:

VOTED: That the Minutes of the Affordable Housing Trust Meeting held on September 10, 2012 be, and hereby are, approved.

Firm Approval of Financing for King's Grant Apartments

Ms. Bodington gave this presentation.

This Request for Action ("RFA") is for Firm Approval of a 12 month construction bridge loan from the Affordable Housing Trust (AHT) for Kings Grant Apartments (the "Development"), an existing family housing development built in 1972 and originally financed under the United States Department of Housing and Urban Development ("HUD") Section 236 mortgage program. Retirement Housing Foundation and Schochet Associates are the Co-Developers (the "Developer"). The loan amount is \$1,700,000.

The Development received Firm Approval for financing at the October 2012 Board meeting. Kings Grant is comprised of 156 apartments in North Kingstown, adjacent to the entrance to Quonset. The Development, composed of garden style buildings and associated parking, contains 61 one-bedroom apartments and 95 two-bedroom apartments. Section 8 rental assistance for 104 apartments has been provided through a Housing Assistance Payment ("HAP") contract. The developer will be requesting a new 20 year HAP contract for the 104 apartments currently receiving assistance.

The Kings Grant property is currently subsidized under the Section 236 program in combination with a HUD insured mortgage, and restricted under an ELIHPA contract. There are 52 Section 236 units. The ELIHPA restrictions are expiring and the HUD mortgage will reach maturity at the end of October 2012. The current owner intends to prepay the balance of the HUD insured Section 236 mortgage and has submitted the necessary application to HUD. Prepayment will ensure that all eligible residents in the 52 Section 236 units will receive a HUD Section 8 Enhanced Voucher (“EV”).

Under the current HUD Regulations, if the Section 236 mortgage fully matures, these residents would not be eligible to receive these EVs. The current rents at the Development are very low, consistent with the 236 program guidelines. The Borrower has applied for a rent increase up to the current market rents based on a newly commissioned Rent Comparability Study. Both the Section 8 HAP rents and the EV rents will be established based on this rent study. Those residents whose incomes exceed 80% of Area Median Income will not receive an EV. Their rent will be increased to the market rent.

As currently underwritten, the Development will have 104 subsidized/Housing Tax Credit apartments and 52 market rate apartments. The Borrower may elect to increase the number of subsidized apartments and reduce the number of market rate apartments once all eligibility for EVs is determined. This would result in the First Mortgage amount being reduced, but it is expected that the decrease would be made up through an increase in tax credit equity. The addition of tax credit-restricted units would help maximize the number of long term affordable apartments. At a minimum as part of this transaction, the borrower will sign a new 40 year use restriction assuring long term affordability for at least 104 apartments.

The current ownership of these properties consists of a partnership between Schochet Associates (“Schochet”) of Boston, MA and entities controlled by Fundamental Advisors of New York, NY. The purchaser will be a to-be-formed single purpose entity whose general partner will be wholly owned by Retirement Housing Foundation (“RHF”) a non-profit developer located in Long Beach, CA. The property is currently managed by Federal Management Company (“FMC”) of Boston, MA and the site will continue to be managed by FMC after acquisition by RHF. FMC is an affiliate of Schochet Associates.

Retirement Housing Foundation is a nonprofit, mission driven, affordable housing development and management organization. RHF celebrated its 50th anniversary last year. Since 1961, it has developed and now manages for its own account 159 senior, family and skilled nursing facilities in 26 states, Washington D.C., Puerto Rico and the Virgin Islands. Schochet and RHF have recently collaborated on several projects in Boston, Leominster and Gardner Massachusetts. The acquisition of this facility will complement its mission through the acquisition of existing assisted housing in order to assure its affordability for the future.

Kings Grant is a well-maintained, well-landscaped development. The location of the property on State Street in the Davisville area of North Kingstown is good, with immediate access to major transportation routes, shopping and recreational facilities. Though well maintained, the housing is 40 years old. Proposed rehabilitation has been guided by the recently completed Capital Needs Assessment (“CNA”), and will focus on upgrades of some older kitchens and

baths, common areas, and heating systems. Energy efficiency measures will be implemented as well as some ADA improvements and exterior improvements. The new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecast in future years.

The permanent loan will be insured with FHA/HUD Risk Share insurance during construction. The requirement for this additional AHT short term construction loan is necessitated by a HUD determination that the permanent loan proceeds must be used to pay for the monthly construction draws if the loan is insured during construction. When initially approved in October all of the permanent loan proceeds were to fund acquisition. As a result, a short term bridge loan is needed to cover acquisition costs originally expected to be paid for with permanent loan funds. The bridge loan will be repaid at construction completion with syndication proceeds. This bridge loan will be recorded immediately behind the first mortgage and it will be ahead of the RHF loans listed below.

The primary sources of financing for the transaction will be (i) a \$16,200,000 tax-exempt bond funded First Mortgage, (ii) equity from the sale of associated 4% Housing Tax Credits, (iii) deferred developer fee, (iv) a seller's note, and (v) a short term construction loan provided by RHF to bridge a portion of the tax credit equity. As noted in the Preliminary Approval, the mortgage is underwritten based on the lower of the approved HAP or market rents determined by a Rhode Island Housing commissioned appraisal to comply with HUD Risk Share requirements. The loan will be insured during construction.

The use of FHA Risk Share during construction will trigger Davis Bacon wages for all construction related activity. It also requires that the rehabilitation equal at least 15% of the completed value of the development, increasing the original rehabilitation budget. As a result of the more extensive rehabilitation, the initial deposit to the replacement reserve will be reduced from the standard \$2,000 per unit to \$1,500 per unit. A term sheet outlining the terms and conditions used as the basis for underwriting this transaction is included in Attachment B.

This RFA requests Firm Approval for a short term construction bridge loan of up \$1,700,000.

Upon a motion and approval made by Mr. Godfrey the following resolution was 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 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 a loan to acquire and rehabilitate the development known as Anthony House as set forth below (the "Development"):

<u>Development</u>	<u>Applicant</u>	<u>Trust Loan</u>
Kings Grant Apartments	Retirement Housing Foundation	\$1,700,000

Whereas: Trustees have reviewed the submission and determined that the Development qualifies for a loan 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 a loan to Retirement Housing Foundation or an affiliated entity, in an amount not to exceed \$1,700,000 for rental housing located in North Kingstown, Rhode Island;

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

- Approval, closing and disbursement of financing from Rhode Island Housing.
- Agreement on the repayment terms of the Affordable Housing Trust loan satisfactory to both Rhode Island Housing and the Affordable Housing Trust.

Resolved: That the Trustees are authorized to set the terms and conditions of the loan as they seem 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

Firm Approval of Financing for Essex Village Apartments

Ms. Bodington along with Mr. Milito provided information regarding this request.

This Request for Action (“RFA”) is for Firm Approval of a 12 month construction bridge loan from the Affordable Housing Trust (AHT) for Essex Village Apartments (the “Development”), an existing elderly housing development built in 1979 and originally financed under a U. S. Department of Housing and Community Development (“HUD”) mortgage program. Retirement Housing Foundation and Schochet Associates are the Co-Developers (the “Developer”). The loan amount is \$790,000.

The Development received Firm Approval for financing at the October 2012 Board meeting. Essex Village is a development with 109 elderly apartments in North Kingstown, adjacent to the entrance to Quonset. The Development, composed of garden style buildings and associated parking, contains 83 one-bedroom apartments and 26 two-bedroom apartments. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract. The existing HAP contract for this site runs through 2016; however as part of this transaction the Developer is pursuing a 20 year renewal of the HAP. Eight of the one-bedroom units are

currently occupied by households with incomes between 60% and 80% of AMI. The units are affordable under the Section 8 program however they are not eligible for housing tax credits. The original mortgage has matured and the development is no longer subject to a regulatory agreement. As part of this transaction, the borrower will sign a new 40 year use restriction assuring long term affordability.

Essex Village is a well-maintained and well-landscaped development. The location of the property on Fisher Drive in the Davisville area of North Kingstown provides immediate access to major transportation routes, shopping and recreational facilities. Upon acquisition of the property, the new ownership entity will complete approximately \$2 million in improvements. Proposed rehabilitation has been guided by the recently completed Capital Needs Assessment (“CNA”), and will focus on upgrades of some older kitchens and baths, common areas, and heating systems. Energy efficiency measures will be implemented as well as some ADA improvements and exterior improvements. The new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecast in future years

The current ownership of these properties consists of a partnership between Schochet Associates (“Schochet”) of Boston, MA and entities controlled by Fundamental Advisors of New York, NY. The purchaser will be a yet to be formed single purpose entity whose general partner will be wholly owned by Retirement Housing Foundation (“RHF”) a non-profit developer located in Long Beach, CA. The property is currently managed by Federal Management Company (“FMC”) of Boston, MA and the site will continue to be managed by FMC after acquisition by RHF. FMC is an affiliate of Schochet Associates.

Retirement Housing Foundation is a nonprofit, mission driven, affordable housing development and management organization. RHF celebrated its 50th anniversary last year. Since 1961, it has developed and now manages its own portfolio of 159 senior, family and skilled nursing facilities in 26 states, Washington D.C., Puerto Rico and the Virgin Islands. Schochet and RHF have recently collaborated on several projects in Boston, Leominster and Gardner Massachusetts. The acquisition of this facility will complement its mission through the acquisition of existing assisted housing in order to assure its affordability for the future.

The permanent loan will be insured with FHA/HUD Risk Share insurance during construction. The requirement for this additional AHT short term construction loan is necessitated by a HUD determination that the permanent loan proceeds must be used to pay for the monthly construction draws if the loan is insured during construction. When initially approved in October all of the permanent loan proceeds were to fund acquisition. As a result, a short term bridge loan is needed to cover acquisition costs originally expected to be paid for with permanent loan funds. The bridge loan will be repaid at construction completion with syndication proceeds. This bridge loan will be recorded immediately behind the first mortgage and it will be ahead of the RHF loans listed below.

The primary sources of financing for the transaction will be (i) a \$9,870,000 tax-exempt bond funded First Mortgage, (ii) equity from the sale of the associated 4% Housing Tax Credits, (iii) deferred developer fee, (iv) a seller’s note, and (v) a short term construction loan provided by RHF to bridge a portion of the tax credit equity. The mortgage is underwritten based on the

lower of the HAP rents or market rents determined by a Rhode Island Housing commissioned appraisal to comply with HUD risk share requirements. The loan will be insured during construction.

The use of risk share during construction will trigger Davis Bacon wages for all construction related activity and will require that the rehabilitation equal at least 15% of the completed value of the development, increasing the original rehabilitation budget. However, due to the more extensive rehabilitation, the initial deposit to the replacement reserve will be reduced from the standard \$2,000 per unit to \$1,500 per unit. A term sheet outlining the terms and conditions used as the basis for underwriting this transaction is included in Attachment B.

This RFA requests Firm Approval for a short term construction bridge loan of up \$790,000.

Upon a motion and approval made by Mr. Godfrey the following resolution was 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 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 a loan to acquire and rehabilitate the development known as Anthony House as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Trust Loan</u>
Essex Village	Retirement Housing Foundation	\$790,000

Whereas: Trustees have reviewed the submission and determined that the Development qualifies for a loan 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 a loan to Retirement Housing Foundation or an affiliated entity, in an amount not to exceed \$790,000 for rental housing located in North Kingstown, Rhode Island;

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

- Approval, closing and disbursement of financing from Rhode Island

Housing.

- Agreement on the repayment terms of the Affordable Housing Trust loan satisfactory to both Rhode Island Housing and the Affordable Housing Trust.

Resolved: That the Trustees are authorized to set the terms and conditions of the loan as they seem 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, Mr. Godfrey adjourned the meeting at 9:12 a.m.

Respectfully submitted,

Richard Godfrey,
Secretary and Executive Director