

Final Minutes
Affordable Housing Commission – SPECIAL MEETING
TUESDAY, SEPTEMBER 1, 2015 – 7:00 P.M.

Charlestown Town Hall, Annex Conference Room, 4540 South County Trail, Charlestown, Rhode Island

1. CALL TO ORDER. Chairman Evelyn Smith called the meeting to order at approximately 7:07 PM.

2. ROLL CALL. Chairman Evelyn Smith, Vice Chair, Sean White, Secretary, Sandra Puchalski, AHC members, Ernest Morreira & Brian McDonald. Town Council Liaison, Tom Gentz. Also attending meeting, Geoffrey Marchant; Chris Hannifan, Chairperson of WCCDC. Jerry Bertrand, WCCDC Manager. Dean Harrison, Director of Real Estate for the Women's Development Corporation, arrived during discussion.

3. SPECIAL BUSINESS

Evelyn introduced representatives from WCCDC to AHC members. It was explained that because of Geoff Marchant's official capacity as CDBG grant manager, he could not continue as President of WCCDC. Chris Hannifan has taken over that position. Geoff continues to be knowledgeable as to the planning for the Shannock Village Cottages project. Geoff explained the 4-9% tax credits that were anticipated were not funded on the Richmond side and the project languished. When Geoff went to RI Housing for 9% tax credit funding they encouraged him to look at the languished project Altamonte Ridge in Richmond and somehow merge the two which made sense. Presently, they are preparing to make application together for the 9% tax credits to RI Housing and the project application is known as Shannock Falls.

AHC members had been provided with a letter from Geoff dated August 26, 2015, to the Town Council (attached.) The letter explained the current status of Shannock Village Cottages, and AHC members received an overview report from Geoff covering 2011 to present. The first major funding application for this year's round of funding will be to the Federal Home Loan, due on Sept. 8, 2015, and it requires the applicant to have "control" over the property. Currently, the Purchase & Sales agreement has expired, and it must be extended or the property must be purchased. The property owner is unwilling to extend and desirous of closing.

Discussion regarding the Town's \$275,000 bond commitment noted that under current conditions it cannot be disbursed until all other funding has been approved. Geoff reported that Master Plan approval is in place, and the property has a current appraisal value of \$325,000 (the purchase price,) with an as-is appraisal value of \$245K under RIH guidelines. He also noted that discussions over an immediate acquisition, with the option of the WCCDC giving back the property within 90 days if the Federal Home Loan mortgage was denied, might be a possibility, with the owner placing the RIH proceeds in a 90-day CD

Chris noted that RIH will issue a \$245K bridge loan to acquire the property. That leaves an \$80,000 shortage. Members discussed the potential preparation of an advisory to the Charlestown Town Council on modification to the Bond Acquisition Funding approval to include a bridge loan guarantee from the Town for \$80,000 during the funding and permit application period. Chris explained the appraisal is on 4 1/2 acres and is for \$245,000. Payments are expected to run at about \$400.00/month. Evelyn noted that usually the RI Housing will hold the property but in this case, they are not willing to hold it but are willing to give a loan. Chris noted this is not unusual for RI Housing. She explained the LISC (Local Initiative Support Corp of Rhode Island) is willing to work with them, and the Town of Charlestown, on the land acquisition.

The property owner is unwilling to extend the purchase & Sales agreement at this time, but is willing to deed over the property and hold a short-term subordinate \$80K mortgage until LISC can take

over that position by writing an \$80K bridge loan. LISC wants the Town to guarantee. In case the construction financing falls through, the Town then will be obligated to pay off LISC's \$80K, vs the \$275K already approved, at which time its equity interest in the property will be protected by a mortgage from WCCDC.

It was the consensus that the Town would likely have more patience than other funders to hold onto the property and try other funding routes. The Town has agreed to fund \$275K. In a worst case scenario, it would take \$50K more to equal the \$325K needed to pay off both RI Housing and LISC. It was noted we have \$50K in initiative grants as yet uncommitted. This would have to be approved by a Resolution however, as the current Council Resolution set aside \$200,000 of the bond for initiative grants not exceeding \$50K, and this project has already been awarded a \$50K initiative grant. Evelyn thought that nevertheless it was probably not impossible for the Town Council to allocate the additional \$50K, and steps should be taken to freeze the bond commitments not to ensure that the last \$50K is available if needed later..

Members had some questions on the \$80K gap money, as did Tom, and the 90 day timeframe. It was explained that the hope would be to have the LISC approval for \$80K within that timeframe and there would be no need to have Town involved, but LISC wants the guarantee and all understood. Basically giving us two bites at the apple. If LISC approves, we are good to go on the project, if they don't approve, the Town could still fund it to proceed with project. Chris noted it puts us in a better place later with RI Housing tax credit funding as these are very competitive grants. Questions on the \$400/ month interest only payment. Jerry noted it comes out of operating costs for project and built into the project's pro-forma.

It was discussed there is no point in delaying this discussion with Town Council and the guarantee should be discussed unless we want to walk away from the project. All wanted to proceed, so discussion on the advisory from AHC to Town Council took place. Tom discussed what action would be needed at the Sept 14th Town Council Meeting. Evelyn suggested the following language:

"The Affordable Housing Commission recommends that the Town Council adopt a resolution to modify the 2011 Land Acquisition grant approval for Shannock Village Cottages to include the Town's guarantee on an \$80,000 bridge loan from L.I.S.C., should that bridge loan application be approved, and to authorize a suitable official to sign relevant documents.

The Affordable Housing Commission further recommends that the Town Council suspend applications for the remaining uncommitted \$50,000 Affordable Housing bond funds until full funding for Shannock Falls has been approved to include repayment of the bridge funding.

Discussion with Dean on the new financial configuration with Women's Development Corporation showed that these projects as they are now combined have a better chance of being funded than separately in the past. Pros and cons were discussed. After discussions, Evelyn noted she would entertain motion to draft advisory. Ernest made motion to authorize the Chair to draft the advisory to the Town Council with our recommendations discussed. Brian seconded. All voted in favor of motion. Motion carried. All thanked Geoff, Jerry, Chris and Dean for coming, and for their efforts on the Affordable Rental Housing Project now known as Shannock Falls.

4. OLD BUSINESS

a) Minutes. Approval of minutes: June 18, 2015 Regular Meeting. Members had copies of the June 18th draft minutes to review. Motion was made by Ernest and seconded by Brian to accept the minutes as presented. Motion carried unanimously.

b) Charlestown Comprehensive Plan Review. Members all had copy of the Draft Affordable Housing Commission Memorandum to Jane Weidman, Town Planner that was voted on and drafted by Chairman Evelyn Smith. Document dated July 16, 2015. Members reviewed and discussed. No changes were necessary. Motion made by Ernest and seconded by Sandra to send the Memorandum off to the Town Planner as presented. All voted in favor of motion. Motion carried.

5. NEW BUSINESS

a) Commission Reappointments. Evelyn noted that AHC Vice Chair, Sean White and AHC member Brian McDonald are ending and up for reappointment if they are still willing to serve. Both Sean and Brian were willing to continue to serve which all appreciated. Evelyn noted the process calls for a letter to come from AHC in the form of a recommendation on appointments. Sandra made motion to recommend the approval of the applications of Sean White and Brian McDonald for new terms. Sandra made motion to authorize the Chair to send a letter to Town Clerk for Town Council review on the two reappointments. Seconded by Ernest. All voted in favor of motion. Motion carried.

6. PUBLIC COMMENT. None.

7. NEXT MEETING. The next regular monthly meeting is scheduled for Thursday, September 17, 2015, at 7:00 p.m.

8. ADJOURNMENT. Motion made and seconded to adjourn, at 8:45 p.m.

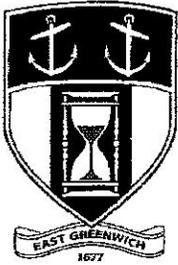
Attached:

Letter August 26, 2015, Geoffrey Marchant to Charlestown Town Council

Respectfully submitted,

Sandra Karasuk Puchalski, Secretary

Approved at the September 24, 2015, meeting of the Affordable Housing Commission.



Town of East Greenwich

Community Development Consortium

125 Main Street

P.O. Box 111

East Greenwich, RI 02818

Office: (401) 886.3213

Fax: (401) 886.8625

East Greenwich, West Greenwich, Exeter, Hopkinton, North Kingstown, Charlestown, Richmond, Westerly, Narragansett

26 August 2015

Mr. Tom Gentz, President
Charlestown Council
4540 South County Trail
Charlestown RI 02813

Dear Mr. Gentz:

It has come to my attention from the Washington County CDC (WCCDC) that the property on which Shannock Village Cottages is planned is threatened with loss. That property has been under agreement for sale for 5 years. The owner, Jeff Marlowe of Dog House Acquisitions, has a business venture in the Village and he need capital to implement it.

WCCDC has been working with the Women's Development Corporation (WDC) on a joint venture that, similar to one of the financing plans for ChurchWoods and Shannock Village Cottages (SVC), would financially link SVC with a development WDC plans on the Richmond side of the river in the Village that will produce a total of 46 units of rental housing through the Low Income Housing Tax Credit Program. One of the steps in that financing is making application to the Federal Home Loan Bank for a combination loan/grant that will be part of the total financing structure. That application is due to be submitted on 8 September. In order to be considered, both parcels must have site control which we do not have for SVC.

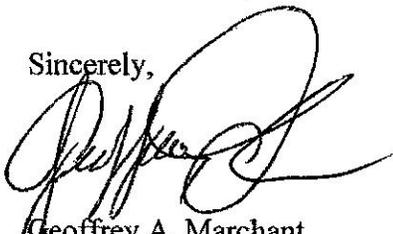
WCCDC, knowing the importance of site control and of the owners desire to sell, asked RI Housing to finance the acquisition of SVC. They reported back that they would be willing to provide a bridge loan for the acquisition but only at "as is" value. They ordered an appraisal and it came in at \$245,000. We have always had agreement at \$325,000 with Dog House as we had an appraisal which assigned that value to the property with the Master Plan approval in place. The owner will not take an \$80,000 hit on the sale price, nor should he have to as it is not the private property owner's responsibility to subsidize the implementation of the state's affordable housing goals. As WCCDC's luck would have it, there was a recent top level staff change at WDC and their Board decided that this was the time to get more involved in the development projects of WDC. They were asked to come in with the \$80,000 gap financing and , because they had never jointly developed in their existence (36 years), they decided to go slow and understand

the relationship a little better. Failing there, WCCDC went to LISC and asked for an \$80,000 loan.

At this point, LISC *seems* to be interested but they want someone to guarantee that loan. WDC declined for the reason above. WCCDC has asked me to ask you if the Town will do so. The terms LISC has offered are interest only payments (~\$400/month) with payoff at Closing of the LIHTC deal. LISC was told WCCDC has no control over when or if RI Housing will award the tax credits to the deal and has replied that they can be flexible with the payoff so long as interest payments are made. That could mean payoff in 2 years rather than one if the application fails in its first attempt. What could happen (and the owner needs to agree which he has not yet been asked to do) is that we could acquire SVC with the \$245,000 bridge loan. The owner would put an \$80,000 subordinate loan in place to be taken out with the LISC loan in 8-10 weeks according to Mary Fasano of LISC. The Town would guarantee that LISC loan with bond funds already obligated to the SVC project. I point out that Charlestown has already invested \$14,267.72 in its bond money from the Initiative award to the project. That would be to no avail if we lose this property.

In a perfect world, none of this would be happening and entities established to implement affordable goals would step up and simply acquire SVC. In the world we live in, that is not going to happen. Ideally, the Town would come in with the \$80,000 and take the owner, whose responsibility it is not to create affordable housing, out. But a solution, pending agreement amongst all concerned, would be for Charlestown to guarantee the LISC loan. Please advise on how or if we can proceed.

Sincerely,



Geoffrey A. Marchant
Director

Copy: WCCDC