

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Financing for Parcel 9 Phase II (Providence)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,000,000 of 2024 and/or 2025 9% Low-Income Housing Tax Credits (“LIHTC”) as well as firm approval of: (i) a taxable leasehold first mortgage loan in an amount up to \$4,352,000, (ii) a Development of Affordable Housing 2 (“DAH-2”) loan in an amount not to exceed \$8,178,940, (iii) a Housing Production Fund (“HPF”) loan in an amount not to exceed \$2,286,306, (iv) a HOME Investment Partnerships Program (“HOME”) loan in an amount not to exceed \$413,050, (v) a Housing Trust Fund (“HTF”) loan in an amount not to exceed \$1,210,934, and (vi) an Acquisition and Revitalization Program (“ARP”) loan in an amount not to exceed \$1,750,000 for Parcel 9 Phase II (the “Development”), a 61-unit rental housing development to be located in Providence, Rhode Island. Pennrose, LLC is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 16, 2024 (“Preliminary Approval”).

Parcel 9 Phase II is a new construction, mixed-income development on a currently vacant parcel at the edge of the Fox Point neighborhood in Providence. Phase I is currently under construction and will create 66 units and a Head Start center. Phase II, which is the subject of this RFA, will complete the planned two-phase development. This infill parcel is part of a I-195 Redevelopment District, and redevelopment of the parcel will support the District Commission’s economic development goals for the former 195 Interstate land.

Phase II will create 61 new units, providing 13 units at 30% of area median income (“AMI”), two units at 50% of AMI, 21 units at 60% of AMI, and 25 market-rate units. The Development includes a mix of bedroom sizes ranging from efficiency to three-bedroom units. To help subsidize the 30% AMI units, the Developer was awarded HPF-ELI assistance from RIHousing for 9 units, which is intended to bridge the gap between a resident’s ability to pay 30% of their gross household income toward rent and the established 50% LIHTC rent. The Developer was also awarded eight project-based vouchers from the Providence Housing Authority. In addition, the Developer has partnered with Operation Stand Down to provide services for qualified veterans living at the Development.

The Developer’s application scored points for energy efficiency, and the Developer intends to follow the Zero Energy Homes Standard. The project will meet RNC Tier II and Energy Star 3.1 Version 8. The Developer is also proposing a solar photovoltaic system and community solar to cover common area electricity.

Since Preliminary Approval, total development costs have increased by \$1,911,640. The increase can mainly be attributed to construction-related costs as well as an increase in the contingency based on experience in Phase I. Additional site work is also required for soil

excavation, export, and remediation due to the need to update the foundation design to account for existing infrastructure and unsuitable soils. To address the cost increases, the developer has increased their first mortgage by approximately \$1,500,000. This increase is supported by higher market-rate rents with the elimination of the Middle-Income units originally included in their application. As a result of the increase in hard debt, the operating reserve has also increased. The developer has undertaken value engineering to help address the cost increases. As part of this value engineering, RIHousing staff worked with Pennrose to review and trim some of the soft costs where possible and was able to reduce the amount of HOME funds by \$587,000. The developer was also awarded \$800,000 from the Providence Redevelopment Agency.

This RFA requests firm approval of a reservation of up to \$1,000,000 of 2024 and/or 2025 9% LIHTC, and firm approval of: (i) a first mortgage loan in an amount not to exceed \$4,352,000, (ii) a DAH-2 loan in an amount not to exceed \$8,178,940, (iii) an HPF loan in an amount not to exceed \$2,286,306, (iv) a HOME loan in an amount not to exceed \$413,050, (v) an HTF loan in an amount not to exceed \$1,210,934, and (vi) an ARP loan in an amount not to exceed \$1,750,000 for Parcel 9 Phase II. Such approvals are subject to certain conditions as set forth in the attached Resolutions.

B. ATTACHMENTS

- A. Credit Summary
- B. Resolution

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Parcel 9 Phase II

Preliminary _____

Firm X

Date: November 13, 2024

Project: New construction of 61 (36 affordable) apartments in Providence comprised of 5 efficiency, 23 one-bedroom, 24 two-bedroom, and 9 three-bedroom units.

Development Team:

	Name	Location (city/state)	Risk Rating (low/med/high)
Co-Developer	Pennrose, LLC	Philadelphia, PA	Low
Mortgagor	Parcel 9 Phase II MM LLC	Providence, RI	Low
Architect	The Architectural Team, Inc.	Chelsea, MA	Low
General Contractor	Haynes Construction Company	Seymour, CT	Low
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	Pennrose Management Company LLC	Philadelphia, PA	Low
Syndicator	National Equity Fund, Inc.	New York, NY	Low

Executive Summary:

	Address	City
Property Address	55 George M. Cohan Blvd	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
RIH First Mortgage	\$4,352,000	6.10% /40 Years
DAH-2	\$8,178,940	0.00% /42 Years
HPF	\$2,286,306	0.00% /42 Years
RIH HOME	\$413,050	0.00% /42 Years
HTF	\$1,210,934	0.00% /42 Years
ARP	\$1,750,000	0.00% /42 Years

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

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$2,820,429	46,237	\$1,531,571	\$4,352,000	\$71,344
DAH-2	\$8,178,940	134,081	\$0	\$8,178,940	\$134,081
Priority Projects Fund	\$1,307,926	21,441	\$0	\$1,307,926	\$21,441
Housing Production Fund	\$2,286,306	37,480	\$0	\$2,286,306	\$37,480
HOME	\$1,000,000	16,393	(\$586,950)	\$413,050	\$6,771
Housing Trust Fund	\$1,210,934	19,851	\$0	\$1,210,934	\$19,851
Acquisition Revialization Program (A	\$1,750,000	28,689	\$0	\$1,750,000	\$28,689
ERA2	\$1,700,000	27,869	\$0	\$1,700,000	\$27,869
Building Homes Rhode Island	\$962,253	15,775	\$0	\$962,253	\$15,775
Providence Revolving Loan	\$0	0	\$800,000	\$800,000	\$13,115
Seller Loan	\$0	0	\$115,276	\$115,276	\$1,890
Deferred Developer Fee	\$348,260	5,709	(\$198,260)	\$150,000	\$2,459
LIHTC Proceeds	\$8,999,100	147,526	\$4	\$8,999,104	\$147,526
City HOME	\$400,000	6,557	\$0	\$400,000	\$6,557
Sponsor Loan(RIH Pre Dev)	\$0	0	\$250,000	\$250,000	\$4,098
Total Sources	\$30,964,148	507,609	\$1,911,640	\$32,875,788	\$538,947
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$22,874,866	\$374,998	\$1,255,730	\$24,130,596	\$395,584
Contingency	\$1,715,615	\$28,125	\$697,445	\$2,413,060	\$39,558
Acquisition	\$115,276	\$1,890	\$0	\$115,276	\$1,890
Soft Costs	\$2,761,713	\$45,274	(\$65,384)	\$2,696,329	\$44,202
Financing	\$1,063,500	\$17,434	\$9,080	\$1,072,580	\$17,583
Developer Fee	\$1,288,980	\$21,131	\$0	\$1,288,980	\$21,131
Operating Reserve	\$481,119	\$7,887	\$69,719	\$550,838	\$9,030
Lease Up Reserve	\$107,745	\$1,766	(\$56,200)	\$51,545	\$845
Replacement Reserve Year 1 Deposit	\$24,400	\$400	\$0	\$24,400	\$400
Other Reserves	\$530,934	\$8,704	\$1,251	\$532,185	\$8,724
Total Uses	\$30,964,148	\$507,609	\$1,911,640	\$32,875,788	\$538,947

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$514,843	8,440	(\$126,586)	\$388,257	\$6,365
Appraisal Cap Rate	5.75%			5.75%	
Valuation	\$8,953,791	146,783	(\$2,201,493)	\$6,752,298	\$110,693
Loan Principal	\$4,352,000	71,344		\$4,352,000	\$71,344
LTV	48.61%		16%	64.45%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$538,947	\$519,948 less reserves
Affordable Vacancy Rate	5%	
Market Vacancy Rate	7%	
DCR Yr 1	1.25	Yr 15 DSC consistent with RIHousing requirements for mixed-income deals
DCR Yr 15	1.16	

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November 13, 2024

NOI	\$388,257	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	48.61%	
Initial Installment (%) of syndication proceeds	10%	RIHousing is not construction lender.
Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$550,838	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$24,400	\$400 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%	4	\$ 590.00	\$ 590.00	0%	77.1%
EFF	120%	1	\$ 1,897.30	\$ -	0%	12.5%
1	30%	1	\$ 632.00	\$ 632.00	0%	78.1%
1	30%	4	\$ 632.00	\$ 632.00	0%	78.1%
1	60%	4	\$ 2,013.00	\$ 1,265.00	159%	17.1%
1	120%	7	\$ 2,032.30	\$ -	0%	16.2%
1	120%	1	\$ 2,032.30	\$ -	0%	16.2%
1	Over 120%	6	\$ 2,296.00	\$ -	0%	4.6%
2	30%	4	\$ 2,442.00	\$ 759.00	322%	21.0%
2	50%	2	\$ 1,265.00	\$ 1,265.00	0%	61.7%
2	60%	2	\$ 1,366.20	\$ 1,518.00	90%	58.2%
2	60%	9	\$ 1,366.20	\$ 1,518.00	90%	58.2%
2	120%	5	\$ 2,432.00	\$ -	0%	21.3%
2	Over 120%	2	\$ 2,675.00	\$ -	0%	13.0%
3	60%	6	\$ 1,577.70	\$ 1,753.00	90%	63.3%
3	120%	1	\$ 2,802.80	\$ -	0%	31.3%
3	Over 120%	2	\$ 3,503.00	\$ -	0%	13.0%
Total		61				38.6%

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 Pennrose, LLC (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;

Whereas, in May, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2024 and/or 2025 (“LIHTC”) and preliminary approval of permanent financing for Parcel 9 Phase II (the “Development”);

Whereas, since preliminary approval, the request for permanent financing from the Applicant listed below has increased to the following:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage	DAH-2 Loan
Pennrose, LLC	Parcel 9 Phase II	\$1,000,000	\$4,352,000	\$8,178,940
HOME Loan	HTF Loan	HPF Loan	ARP Loan	
\$413,050	\$1,210,934	\$2,286,306	\$1,750,000	

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 \$1,000,000 of allocated 2024 and/or 2025 LIHTC be reserved for the Applicant or an affiliated entity (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 Borrower complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$4,352,000 for a taxable first mortgage loan to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$8,178,940 for a Development of Affordable Housing - 2 loan to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$2,286,306 for a Housing Production Fund loan to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$413,050 for HOME Investment Partnerships Program funding to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,210,934 for Housing Trust Fund funding to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,750,000 for Acquisition and Revitalization Program funding to the Borrower for rental housing to be located in Providence and known as Parcel 9 Phase II.

Resolved, that the Executive Director may substitute some or all of the foregoing funding awards with other sources of funding awarded pursuant to a subaward agreement between RIHousing and the State of Rhode Island to the extent the development is in alignment with the program criteria and can adhere to the spending deadlines set forth in such subaward agreement.

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

- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Confirmation from the City of Providence that the entire development will be taxed at 8% of gross potential income;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Closing of a construction loan with Webster Bank 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 the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan; 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.