

Request for Action
by
Board of Commissioners

Preliminary Approval of Financing for The Flynn (formerly Copley Centre) (Providence)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$38,000,000 and a Capital Magnet Fund loan in an amount not to exceed \$999,000 (the “CMF Loan”) for The Flynn (the “Development”). Marathon Development, LLC (the “Developer”) is the developer.

B. DISCUSSION

The Development is the new construction of 178 units of affordable housing covering roughly 215,130 square feet, as well as 10,000 square feet of ground-floor commercial space, in Providence. Collectively, there will be 31 units affordable to households at or below 30% of area median income (“AMI”), 115 units affordable to households at or below 60% of AMI, and 32 units affordable to households at or below 80% of AMI. All 178 dwelling units will be financed under the low-income housing tax credit (“LIHTC”) program. 71% of the units will be two and three-bedroom units targeting families, and the balance will be one-bedroom units. In May 2024, RIHousing provided acquisition financing to the Developer to facilitate its acquisition of the property. At the time of acquisition, the Development was known as “Copley Centre.” The Developer intends to form a land condominium and will enter into a ground lease for the portion of the land dedicated to the Development. This will allow for future development of the portion of the parcel not included in the Development.

The Developer’s goal is to provide community-focused housing with services that ensure tenant success and neighborhood revitalization. Children’s Friend is an anchor tenant and will provide childcare and Head Start education to tenants and the broader community. This will be Children’s Friend’s third partnership with LIHTC developers to expand Head Start opportunities. In addition to the Children’s Friend lease, the Developer will enter into parking lot leases to generate additional commercial revenue to support the net operating income of the Development. Furthermore, the Development will connect tenants with Providence Community Health Center’s full array of care utilizing their Community Health Workers.

This is a conduit transaction in which Citizens Bank, N.A. (“Citizens”) will provide the capital for RIHousing’s tax-exempt issuance. The proceeds will be loaned as a construction loan to the Borrower (the “Construction Loan”). In order to minimize the amount of tax-exempt funding, Citizens will provide a taxable tail in the amount of \$6,000,000 to support a total construction loan of \$44,000,000. The funding for the Construction Loan is non-recourse to RIHousing, and the only security to be provided by RIHousing will be an assignment of RIHousing’s rights under the Construction Loan. The Construction Loan will be a recourse loan as to the Borrower and any guarantors. Berkeley Point Capital LLC d/b/a Newmark Capital (“Newmark”) will act as the DUS lender to provide the permanent loan in conjunction with Freddie Mac (the “Permanent Loan”). Upon completion, Freddie Mac will step in as the Permanent Loan funder. Newmark will service the Permanent Loan on behalf of Freddie Mac

who will bear the financial risk should the Borrower default on the Permanent Loan. RIHousing will charge a one-time issuer fee of 1% and an annual servicing fee of 25 basis points on the Construction and Permanent Loans.

Both Citizens and Newmark have provided preliminary term sheets, and the final size of the Permanent Loan will be limited to 80% LTV with debt service coverage of 1.15.

The LIHTC syndicator will be CREA, LLC (“CREA”), which will purchase the 4% LIHTCs at \$0.890 per credit. CREA’s investors are both Citizens Bank, N.A. and AetnaCVS. This will be AetnaCVS’s first LIHTC investment in Rhode Island.

According to the Developer, other anticipated funding sources in the capital stack may include syndication from the redemption of Rhode Island State LIHTCs, a loan from the Providence Redevelopment Agency, a sponsor loan, and a deferred developer fee.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$38,000,000 in tax-exempt financing and a Capital Magnet Fund loan of \$999,000 for The Flynn, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

Attachment A

Credit Summary

Approval Loan Recommendation Summary – The Flynn

Preliminary X

Firm _____

Date: September 19, 2024

Project: New construction of 178 affordable apartments in Providence comprised of 31 units at 30% AMI, 115 units at 60% AMI and 32 units at 80% AMI, as well as 10,000 square feet of commercial space.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Marathon Development, LLC	Boston, MA	Low
Mortgagor (Permanent)	Berkeley Point Capital LLC d/b/a Newmark Capital	Boston, MA	Low
Architect	Branch Architects LLC	East Providence, RI	Low
General Contractor	Marathon Construction Inc.	Boston, MA	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	Wingate Management Company, LLC	Newton, MA	Low
Consultant	N/A		
Syndicator	CREA, LLC	Boston, MA	Low

Executive Summary

	Address	City
Property Address	220 Blackstone Street, Providence, RI 02903	Providence

Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan with Citizens	\$38,000,000	6.81%* Private Placement
Taxable Loan with Citizens	\$6,000,000	7.21%* Private Placement
Permanent Loan with Newmark	\$20,586,000	6.41%** - 35 year amortization with a 15 year balloon
Capital Magnet Fund Loan	\$999,000	1%, 35 years

*Interest rate as of May 2024. Actual rate will be locked at closing at the Tax-Exempt rate based on Daily Simple SOFR, plus 150 bps (with a Daily Simple SOFR floor of 75 bps).

**Interest rate as of July 3, 2024. Actual rate will be locked at closing based on 194 bps over the 10-year U.S. Treasury Securities as determined by Freddie Mac.

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
Third Party Senior Lender	\$20,586,000	115,652
Capital Magnet Fund	\$999,000	5,612
PRA Second Mortgage	\$2,500,000	14,045
LIHTC Proceeds	\$32,231,522	181,076
GP Capital	\$200	1
Deferred Development Fee	\$2,312,378	12,991
ARPA Predevelopment	\$250,000	1,404
City of Providence ARPA	\$5,500,000	30,899
State LIHTC Proceeds	\$12,537,408	70,435
Total Sources	\$76,916,508	432,115

Uses	Preliminary	
	Amount	Per Unit
Construction	\$53,620,334	\$301,238
Contingency	\$3,317,280	\$18,636
Acquisition	\$3,485,000	\$19,579
Soft Costs	\$2,720,727	\$15,285
Financing	\$5,483,177	\$30,804
Developer Fee	\$6,565,300	\$36,884
Operating Reserve	\$1,433,618	\$8,054
Replacement Reserve Year 1 Deposit	\$57,850	\$325
Other Reserves	\$233,221	\$1,310
Total Uses	\$76,916,508	\$432,115

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$422,002 (residential) 432,115 (with commercial)	
Residential Vacancy Rate	5%	
DCR Yr 1	1.15	
DCR Yr 15	1.37	
NOI	\$1,620,809	Includes commercial leases
Income Trending	2%	
Expense Trending	3%	
Loan to Value	N/A	TBD per appraisal
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	yes	Land appraised as part of RIHousing acquisition financing
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,433,618	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$57,850	

Deviations from standard underwriting – None. The Construction Loan and Permanent Loan are each underwritten to the respective lender’s requirements, which are generally consistent with the requirements of RIHousing.

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%	31	\$ 632.00	\$ 632.00	0%	76.0%
1	60%	20	\$ 1,264.00	\$ 1,265.00	100%	46.3%
2	60%	79	\$ 1,518.00	\$ 1,518.00	0%	48.4%
3	60%	16	\$ 1,752.00	\$ 1,753.00	100%	53.3%
2	80%	20	\$ 2,024.00	\$ 2,024.00	0%	29.3%
3	80%	12	\$ 2,336.00	\$ 2,338.00	100%	36.0%
Total		178				50.4%

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, RIHousing intends to issue tax-exempt bonds for financing qualified housing developments throughout the state;

Whereas, RIHousing is authorized to issue conduit tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas, Marathon Development, LLC (“Applicant”) has presented an application to RIHousing requesting conduit tax-exempt financing to construct the development known as The Flynn (the “Development”), as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Bonds</u>	<u>CMF Loan</u>
The Flynn	Marathon Development, LLC	\$38,000,000	\$999,000

Whereas, said bonds shall have a term not to exceed 35 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, 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 that:

(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 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 subject to the special conditions listed below, RIHousing hereby declares preliminary commitment for tax-exempt mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$38,000,000 for rental housing known as The Flynn located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

Resolved, that RIHousing hereby declares that this preliminary commitment of financing for the Applicant 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 \$38,000,000 in mortgage funds, 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, in order to fund the loan for the Development, RIHousing may enter into a loan arrangement with Citizens Bank, N.A. (the “Citizens Loan”) substantially in accordance with the terms outlined in the Request for Action to which this resolution is attached;

Resolved, that the Executive Director, Deputy Executive Director or the Director of Finance (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with Citizens Bank, N.A. as it may require to evidence the Citizens Loan, including, without limitation, a funding loan agreement, note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and

each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners of RIHousing;

Resolved, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners;

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Capital Magnet Fund loan to the Borrower in an amount not to exceed \$999,000 for the rental housing to be located in Providence and known as The Flynn.

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

- Syndication proceeds from the sale of federal 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Syndication or redemption proceeds from the sale of state 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or alternative equity satisfactory to RIHousing;
- Approval by RIHousing of construction plans and specifications and construction documentation;
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the as-stabilized value of the property; and a final market study demonstrating market feasibility in compliance with LIHTC requirements;
- Executed lease agreements for the Children's Friend, Out Parcel Ground Lease, and University GI Parking Lot for the proposed commercial uses;
- Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;
- RIHousing approval of all Permanent Loan documents from Newmark;
- RIHousing approval of all Citizens loan documents;
- Approval by RIHousing of management documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing; and

- Completion of all items required for firm commitment and 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.