

**Request for Action
by
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Preliminary Approval of Financing for 321 Knight Street (Providence)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2024 and/or 2025 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,290,000 and preliminary approval of: (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable permanent first mortgage financing in an amount not to exceed \$1,100,000; (ii) an Acquisition Revitalization Program loan in an amount not to exceed \$1,465,953 (the “ARP Loan”); (iii) a Capital Magnet Fund loan in an amount not to exceed \$500,000 (the “CMF Loan”); (iv) a HOME Investment Partnerships Program loan in an amount not to exceed \$1,000,000 (the “HOME Loan”); and (v) a Community Revitalization Program grant in an amount not to exceed \$2,000,000 (the “CRP Grant”) for 321 Knight Street (the “Development”), a 41-unit affordable housing development located in Providence. The developer is S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY), (the “Developer”).

B. DISCUSSION

321 Knight Street is located at the currently blighted, highly visible corner of Westminster and Knight Streets in Providence. The Development is proposed as a podium-style, elevator building with parking, community, and commercial space on the ground level and 41 units on the four floors above. The project will provide homes for larger families and individuals with disabilities. Nine (9) of the one-bedroom units will be prioritized for clients of West Bay RI, which provides support to people with intellectual and developmental disabilities. All local approvals are in place, and the Developer plans to develop this as a 100% affordable development with rents ranging from 30% to 80% of area median income (“AMI”).

The Developer is committed to developing this building with an emphasis on sustainability and minimizing the development’s impact on the environment. The project will be designed to meet ENERGY STAR Multifamily New Construction National Program Requirements, Version 1.1 (Rev. 03) and to achieve Rhode Island Residential New Construction (RNC) Program’s Tier II Path to Energy Efficiency.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2023. The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded the Development the fourth highest score in the 2024 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2024 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2024 and/or 2025 9% LIHTC in an amount not to exceed \$1,290,000 and preliminary approval of: (i) RIHousing taxable permanent first mortgage financing in an amount not to exceed \$1,100,000, (ii) an ARP Loan in an amount not to exceed \$1,465,953, (iii) a CMF Loan in an amount not to exceed \$500,000, (iv) a HOME Loan in an amount not to exceed \$1,000,000, and (v) a CRP Grant in an amount not to exceed \$2,000,000 for 321 Knight Street, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – 321 Knight Street

Preliminary X

Firm _____

Date: May 16, 2024

Project: New construction of 41 affordable apartments in Providence comprised of 13 one-bedroom, 19 two-bedroom, and 9 three-bedroom units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY)	Providence, RI	Low
Mortgagor	Entity to be formed		
Architect	Union Studio Architecture & Community Design, Inc.	Providence, RI	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	SWAP Community Land Trust, Inc.	Providence, RI	Low
General Contractor	STAND Corporation	Warwick, RI	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
Syndicator	TBD		

Executive Summary

Property Address	321 Knight Street	Providence
Proposed Loan Amount(s) and Terms		
Permanent 1 st Mortgage	\$1,100,000	7.75%, 30 years
ARP Loan	\$1,465,953	0%, 40 years
CMF Loan	\$500,000	1%, 40 years
CRP Grant	\$2,000,000	N/A
HOME Loan	\$1,000,000	0%, 40 years

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$1,100,000	\$26,829
Bank RI - Commercial	\$200,000	\$4,878
Acquisition Revialization Program (ARP)	\$1,465,953	\$35,755
Capital Magnet Fund	\$500,000	\$12,195
Community Revitalization	\$2,000,000	\$48,780
HOME	\$1,000,000	\$24,390
Building Homes Rhode Island	\$490,000	\$11,951
Priority Projects Fund	\$1,276,639	\$31,138
LIHTC Proceeds	\$11,608,843	\$283,143
Deferred Development Fee	\$55,164	\$1,345
Providence Housing Trust Fund	\$900,000	\$21,951
Total Sources	\$20,596,599	\$502,356

Uses	Amount	
	Amount	Per Unit
Construction	\$14,790,000	\$360,732
Contingency	\$739,500	\$18,037
Acquisition	\$1,275,000	\$31,098
Soft Costs	\$1,514,845	\$36,947
Financing	\$1,085,700	\$26,480
Developer Fee	\$873,180	\$21,297
Operating Reserve	\$252,450	\$6,157
Replacement Reserve Year 1 Deposit	\$13,325	\$325
Other Reserves	\$52,599	\$1,283
Total Uses	\$20,596,599	\$502,356

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$502,356	\$494,591 less reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.35	
DCR Yr 15	1.23	
NOI	\$149,984	
Income Trending	2%	
Expense Trending	3%	

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Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$252,450	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$13,325	\$325 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
1	30%	9	\$ 960.00	\$ 576.00	167%	0.0%
1	60%	4	\$ 1,094.40	\$ 1,152.00	95%	0.0%
2	60%	14	\$ 1,313.85	\$ 1,383.00	95%	0.0%
3	60%	7	\$ 1,517.15	\$ 1,597.00	95%	0.0%
2	80% LIHTC	5	\$ 1,751.80	\$ 1,844.00	95%	0.0%
3	80% LIHTC	2	\$ 2,023.50	\$ 2,130.00	95%	0.0%
Total		41				0.0%

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 S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2024 as follows:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage
S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY)	321 Knight Street	\$1,290,000	\$1,100,000

ARP Loan	CMF Loan	HOME Loan	CRP Grant
\$1,465,953	\$500,000	\$1,000,000	\$2,000,000

- 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 \$1,290,000 of allocated 2024 and/or 2025 LIHTC be reserved for the Applicant or an affiliated entity of the Applicant (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 applicant complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,100,000 for a taxable first mortgage to the Borrower for rental housing known as 321 Knight Street located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of \$1,465,953 for an Acquisition Revitalization Program loan to the Borrower for rental housing known as 321 Knight Street located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$500,000 for a Capital Magnet Fund loan to the Borrower for rental housing known as 321 Knight Street located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,000,000 for a HOME Investment Partnerships Program loan to the Borrower for rental housing known as 321 Knight Street located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$2,000,000 for a Community Revitalization Program grant to the Borrower for rental housing known as 321 Knight Street located in Providence, Rhode Island.

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

- Final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development phases and that sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Availability of subordinate financing, including Priority Projects Fund funding, in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval from the City of Providence verifying real estate tax assessment at no more than 8% of gross potential income;
- A taxable construction loan from an acceptable lender in an amount sufficient to achieve project feasibility;
- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any other lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval of the proposed operating budget for the development;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for firm approval are consistent with Borrower's application submission for 2024 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;

- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff, 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.