

Request for Action
by
Board of Commissioners

**Approval of Reservation of Low-Income Housing Tax Credits and
Preliminary Approval of Financing for Brookside Terrace Phase II**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for (i) the reservation of up to \$1,239,502 of 2020 and/or 2021 Low-Income Housing Tax Credits (“LIHTC”), (ii) preliminary approval of a taxable first mortgage, and (iii) preliminary approval of a Housing Trust Fund (“HTF”) Program loan for Brookside Terrace Phase II (the “Development” or “BT Phase II”), a 48-unit rental housing development to be located in East Greenwich, Rhode Island. The developer is Dakota Partners, Inc. (“DPI” or the “Developer”), a Massachusetts based for-profit developer with a portfolio of workforce and affordable housing developments in Rhode Island, Connecticut, New Hampshire and Massachusetts.

The Development is the second phase of a two-phase 96-unit affordable housing development in East Greenwich. BT Phase II will consist of 48 units in 2 three-story garden-style newly-constructed residential buildings. The proposed buildings will provide a mix of 12 one-bedroom and 36 two-bedroom units and will benefit from a single-story clubhouse/community building and other site infrastructure being built as part of Brookside Terrace Phase I (“BT Phase I”). The Development will include energy-efficient elements including passive housing design and National Grid’s Residential New Construction Tier II standards. The 17-acre site is well located along South County Trail (Route 2) and is close to many shopping and recreation amenities. Much of the site is wetlands and unsuitable for further development and these areas will remain undisturbed

Six (6) of the units will be affordable to tenants at 30% area median income (“AMI”) and will be designated as HUD Section 811 Program units with an associated HUD Section 811 project-based voucher contract. The remaining 42 units will be restricted to residents with incomes at or below 60% AMI. A market study recently commissioned for BT Phase I supports the proposed 60% AMI units evidencing desirable penetration and absorption rates. A new market study will be commissioned for BT Phase II to confirm the proposed rents remain consistent with the proposed underwriting.

The Town of East Greenwich has the highest median income in the state and housing prices are well above the median price of a home in Rhode Island. The Town of East Greenwich modified its zoning ordinances to increase multifamily zoned land in areas that are accessible to services, transportation and facilities. The combined BT Phase I and BT Phase II parcels were specifically targeted by the town as one of these sites in its Comprehensive Plan and the development of BT Phase II is expected to expand the availability of affordable housing in East Greenwich.

As with BT Phase I, DPI will self-perform the construction and has created a budget based on actual subcontractor bids for the BT Phase I project and the architect’s, Ed Wojcik Architect Ltd., completed design of the BT Phase I buildings. DPI has outlined an aggressive

schedule to move the Development forward. The combined BT Phase I & BT Phase II site has received final plan approval. According to DPI, final plans and specifications will be developed and completed by October 2020 followed by subcontractor bids in November 2020. This will ideally result in a closing by December 2020.

As part of the underwriting process following preliminary approval, RIHousing staff will work with the Developer to appropriately size the soft cost budget, including reserves and carrying costs, to ensure that the minimum amount of tax credits and soft sources are allocated to the Development. Several of the project's strengths include: (i) a strong developer and builder who is currently developing BT Phase I along with Lincoln Lofts and other affordable and mixed income multifamily housing developments throughout New England; (ii) site work and infrastructure constructed for BT Phase I will reduce the total development costs for the BT Phase II project; (iii) the development of housing in a community with less than 10% affordable housing; (iv) the Development includes energy-efficient elements including passive housing design and National Grid's Residential New Construction Tier II standards; and (v) significant access to retail, entertainment, schools, government and employment opportunities given the location of the site in a highly developed commercial area.

RIHousing has the authority to designate projects as difficult to develop to increase a project's eligible basis by up to 30%. Per Section 42(d)(5)(B) of the Internal Revenue Code, RIHousing has designated all buildings in the Development as difficult to develop, allowing for the 30% basis boost making the project financially feasible as part of a qualified low-income housing project.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, determined that based on the strength of the application and the criteria outlined in the State of Rhode Island 2020 Qualified Allocation Plan ("QAP"), BT Phase II be awarded the highest score in the 2020 9% LIHTC Round. It is anticipated that the Development will generate 86 jobs during construction.

Bank of America has provided a letter of interest ("LOI") to DPI with pricing of approximately \$0.92 for the LIHTC. Bank of America has also provided a LOI to DPI to provide a construction/bridge loan for the project. The total development costs for BT Phase II are approximately \$13,250,000. Proposed permanent sources of funding include: (i) syndication equity from the allocation of LIHTC; (ii) a permanent first mortgage loan from RIHousing; and (iii); a HTF Program loan from RIHousing.

The Request for Action is for (i) a reservation of up to \$1,239,502 of 2020 and/or 2021 LIHTC, (ii) preliminary approval of a first mortgage loan in an amount of up to \$1,125,000, and (iii) a HTF Program loan in an amount of up to \$720,000.

B. RECOMMENDATION

The attached resolution is recommended for approval subject to:

- Approval by RIHousing of the development team.

- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility and a pay-in schedule acceptable to RIHousing.
- Approval of HTF Program funds from RIHousing in amounts sufficient to achieve project feasibility or alternative equity satisfactory to RIHousing.
- Approval by RIHousing of design and construction plans, specifications and construction documentation.
- Approval of the proposed operating budget for the development.
- Approval from the Town of East Greenwich verifying real estate tax assessment at no more than 8% of gross potential income.
- 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 preliminary approval is consistent with DPI's December 20, 2019 application submission for 2020 LIHTC.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

C. ATTACHMENTS

- A. Development Summary
- B. Resolution
- C. Site Location Map

Attachment A Development Summary

A. Development Team

Developer & Contractor:	Dakota Partners, Inc. 1264 Main St. Waltham, MA 02451
Architect:	Ed Wojcik Architect, Ltd. 1 Richmond Square, Ste. 100 Providence, RI 02960
Legal:	Sheehan Phinney Bass & Green PA 255 State St Boston, MA 02109
Management Agent:	Maloney Properties Inc. 27 Mica Lane Wellesley, MA 02481

Development Team Qualifications

Developer and Contractor

Dakota Partners, Inc. (“DPI”), which was founded in 2006, is a Massachusetts-based real estate developer and builder involved in the acquisition and development of multi-family rental communities and for-sale projects throughout New England, New York and states along the Atlantic seacoast. They have completed both suburban and urban projects. DPI and its team have successfully acquired or completed nearly 900 residential units, including: several garden-style affordable housing developments in New England, the conversion of a historic New Hampshire mill into loft-style apartments, and projects involving the adaptive reuse of historic urban buildings in Hartford, Connecticut. In addition to Brookside Terrace I, DPI is currently developing Lincoln Lofts, the redevelopment of a historic mill into 45 affordable apartments in Lincoln, RI which is expected to be delivered for occupancy later this year.

DPI has experience with state and federal affordable housing programs, real estate transactions utilizing low-income housing tax credits, historic tax credits, community development block grants, and other housing and urban development programs. DPI is led by principals Marc Daigle (CEO) and Roberto Arista (President).

Architect

Ed Wojcik Architect, Ltd. (“Ed Wojcik”) is a full-service architectural firm located in Providence, Rhode Island. Ed Wojcik began his own career in 1998 building direct relationships with clients and the community. He has a history of completing projects in a timely fashion and utilizes a core group of consultants. The firm works on both residential and commercial developments. Some of their other current clients include the Pawtucket

Housing Authority, West Bay Community Action, Inc., Smith Hill Community Development Corporation, Brown University, Rhode Island School of Design, Johnson and Wales University and FM Global. Ed Wojcik was also the architect for Lincoln Lofts, developed by DPI, and the recently completed Branch Street Revival, a 9% LIHTC project in Pawtucket RI. Previously, the firm completed several other projects for the Pawtucket Central Falls Development Corp (“PCFDC”) including Callaghan Gardens, Garden Street and Linden Tree Place.

Legal

Sheehan Phinney Bass & Green PA (“Sheehan Phinney”) provides developers and owners of affordable housing projects with services relating to acquisition, development, investment, tax planning, financing, and operation of affordable housing projects. Sheehan Phinney attorneys are experienced in affordable housing development financed through multiple revenue sources, including the syndication of 9% and 4% LIHTC, New Hampshire state credits, the award of state and local HOME Program funds, tax-exempt bonds, grants and traditional financing vehicles.

Ken Viscarello is Chair of the Sheehan Phinney’s Affordable Housing Group. Over the past 20 years, Mr. Viscarello has represented a number of both for-profit and not-for-profit developers in securing project financing through numerous funding sources, including the syndication of LIHTCs, New Hampshire Housing Finance Authority Multi-Family Housing Bonds, State HOME Funds, Municipal HOME Funds, HUD 223(f) and HUD 221(d)(4) loans.

Management Agent

Maloney Properties Inc. (“Maloney”) is a full-service property management company established in 1981 and headquartered in Boston, MA. Maloney will incorporate this development into their current portfolio of over 80 developments containing more than 8,500 units. In Rhode Island, Maloney currently manages the PCFDC portfolio as well as several of the NeighborWorks Blackstone River Valley portfolios. Maloney will be the management agent for Brookside Terrace I and Lincoln Lofts when those projects are placed in service. With a diverse staff of over 350 employees, Maloney is experienced with the requirements of LIHTC funded developments as well as RIHousing’s loan servicing and asset management team. Maloney is a certified MBE and WBE.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
1	30%	4	\$ 479	\$ 461	104%	64.0%
1	60%	8	\$ 904	\$ 922	98%	28.7%
2	30%	2	\$ 594	\$ 553	107%	62.0%
2	60%	34	\$ 1,085	\$ 1,107	98%	26.8%
Total		48				

C. Finance Summary

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$1,125,000	\$23,438
Housing Trust Fund	\$720,000	\$15,000
LIHTC Proceeds	\$11,402,275	\$237,547
Total Sources	\$13,247,275	\$275,985

Uses	Amount	
	Amount	Per Unit
Construction	\$8,750,941	\$182,311
Contingency	\$437,547	\$9,116
Acquisition	\$725,000	\$15,104
Soft Costs	\$1,380,343	\$28,757
Financing	\$766,067	\$15,960
Developer Fee	\$907,200	\$18,900
Operating Reserve	\$235,177	\$4,900
Replacement Reserve Year 1 Deposit	\$16,800	\$350
Other Reserves	\$28,200	\$588
Total Uses	\$13,247,275	\$275,985

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 housing for low and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing; and
- 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”); and
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island; and
- Whereas,** staff for RIHousing has determined that the Applicant (“Applicant”) listed below is eligible for the Program under the laws of the State of Rhode Island and the federal tax code; and
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits available in calendar years 2020 and/or 2021 (the “Tax Credits”), and for construction and/or permanent financing as follows:

Applicant	Development	9% LIHTCs	RIHousing 1st Mortgage	HTF Program Loan
Dakota Partners, Inc.	Brookside Terrace Phase II	\$1,239,502	\$1,125,000	\$720,000

Whereas, RIHousing staff has reviewed the submission, inspected the site, and determined that this development may qualify 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 pursuant to the provisions of this chapter 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 \$1,239,502 of allocated 2020 and/or 2021 Tax Credits be reserved for the Applicant pursuant to Section 4.3 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 the Director of Development, each acting singly be, and hereby are, authorized and empowered in the name of and on behalf of RIHousing 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 preliminarily commitment up to \$1,125,000 for a taxable first mortgage loan to Dakota Partners, Inc. or an affiliated entity (the “Borrower”) for rental housing to be located in East Greenwich, Rhode Island and known as Brookside Terrace Phase II.

Resolved, that, subject to the special conditions listed below RIHousing hereby approves preliminarily commitment for a Housing Trust Fund loan to the Borrower in an amount not to exceed \$720,000 for rental housing to be located in East Greenwich, Rhode Island and known as Brookside Terrace Phase II.

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

- Approval by RIHousing of the development team.

- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Syndication equity from the allocation of Low-Income Housing Tax Credits in an amount sufficient to achieve project feasibility and a pay-in schedule acceptable to RIHousing;
- Approval of Housing Trust Fund Program funds from RIHousing in amounts sufficient to achieve project feasibility or alternative equity satisfactory to RIHousing.
- Approval by RIHousing of design and construction plans, specifications and construction documentation.
- Approval of the proposed operating budget for the development.
- Approval from the Town of East Greenwich verifying real estate tax assessment at no more than 8% of Gross Potential Income.
- 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 preliminary approval is consistent with DPI's December 20, 2019 Application submission for 2020 Low-Income Housing Tax Credits.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- 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 the Director of Development, each acting singly, be and hereby are authorized to take all actions they deem necessary or desirable to carry out the forgoing resolutions.

Attachment C

SITE LOCUS MAP

Brookside Terrace Phase II
East Greenwich, RI

