

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Bernon Mills

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in an amount not to exceed \$11,560,000 for Bernon Mills (“BM”), of which \$2,160,000 would remain as a permanent first mortgage. Brisa Ventures LLC (“BVLLC”) is the developer.

B. DISCUSSION

BM is a historic mill located in Woonsocket, which will be redeveloped into 60 units of rental housing. Utilizing income averaging, all units will be restricted to households with incomes at or below 80% of Area Median Income (“AMI”). There will be a mix of efficiency, one-bedroom, and two-bedroom units. BVLLC is seeking eight project-based vouchers from the Woonsocket Housing Authority and has applied for eight HUD Section 811 vouchers from RIHousing.

BM is recorded as Woonsocket Company Mill Complex on the National Register of Historic Places and was originally built in 1827 for the manufacturing of cotton by the Russell Manufacturing Company. Prior to BVLLC’s involvement, BM went through several failed redevelopment attempts including an effort to bring the Mills back to manufacturing use, and most recently a 2012 condominium redevelopment that was abandoned incomplete by the previous developer due to financial hardship.

BM consists of three historic buildings, two of which are in very poor condition primarily due to water infiltration, a collapsing and exposed roof, missing and broken windows, and deteriorating mortar between the exterior granite walls. An additional building is the partially finished condominium building with 12 occupied units that were converted to rentals several years ago.

The proposed capital structure for BM will consist of proceeds from the tax-exempt financing, sale of 4% low-income housing credits (“LIHTCs”), a HOME program loan from the City of Woonsocket, Building Homes Rhode Island Funds (“BHRI”) previously awarded by the State of Rhode Island Housing Resources Commission, and gap funds from either the RI Rebounds Production Fund or the Housing Production Fund.

By this RFA, staff recommends the attached resolutions providing preliminary approval of \$11,560,000 in tax-exempt financing for Bernon Mills, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

Attachment A

Credit Summary

Approval Loan Recommendation Summary – Bernon Mills

Preliminary X

Firm _____

Date: May 11, 2022

Project: Historic mill conversion of 60 affordable apartments in Woonsocket comprised of 19 efficiency, 30 one-bedroom, and 11 two-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Brisa Ventures LLC	Brooklyn, NY	Medium (No previous RI experience)
Mortgagor	Entity to be formed		
Architect	DBVW Architects, Inc.	Providence, RI	Low
General Contractor	Pezzuco Construction, Inc.	Cranston, RI	Low
Legal	Nixon Peabody LLP	Providence, RI	Low
Management Agent	First Realty Management Corporation	Boston, MA	Low
Syndicator	Alliant Capital, LLC	Woodland Hills, CA	Low

Executive Summary

	Address	City
Property Address (for scattered sites, add list at end of summary)	115-119 Front Street	Woonsocket
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$11,560,000	
Construction/Bridge Loan	\$9,400,000	4.35%, 30 months
Permanent Loan	\$2,160,000	5.50%, 40 years

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$2,160,000	\$36,000
Building Homes Rhode Island	\$4,000,000	\$66,667
Home Funds (Woonsocket)	\$500,000	\$8,333
RIRPF/HPF	\$3,594,178	\$59,903
Deferred Fee	\$307,261	\$5,121
LIHTC Proceeds	\$8,372,486	\$139,541
Fed. Historic Tax Credit Proceeds	\$3,994,344	\$66,572
State Historic TC Proceeds	\$1,838,250	\$30,638
Total Sources	\$24,766,519	\$412,775
Uses	Amount	Per Unit
Construction	\$14,892,000	\$248,200
Contingency	\$1,116,900	\$18,615
Acquisition	\$2,659,960	\$44,333
Soft Costs	\$2,249,318	\$37,489
Financing	\$1,303,091	\$21,718
Developer Fee	\$1,134,000	\$18,900
Operating Reserve	\$315,750	\$5,263
Replacement Reserve Year 1 Deposit	\$19,500	\$325
Other Reserves	\$1,076,000	\$17,933
Total Uses	\$24,766,519	\$412,775

\$890,779 LIHTC @ \$.940/credit

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$412,775	\$389,254 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.38	
DCR Yr 15	1.16	DCR goes negative at year 20
NOI	\$184,915	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to-be commissioned
Initial Installment (%) of syndication proceeds	15%	TBD upon finalized partnership agreement
Acquisition Price equal to or	TBD	Appraisal to-be

less than Appraised value		commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$315,750	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$19,500	\$325 per unit

Deviations from standard underwriting – Yes

Fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

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%	5	\$ 913.00	\$ 454.00	201%	0.0%
EFF	20%	8	\$ 913.00	\$ 303.00	301%	0.0%
EFF	60%	3	\$ 909.00	\$ 909.00	0%	0.0%
EFF	80% LIHTC	3	\$ 1,212.00	\$ 1,212.00	0%	0.0%
1	60%	21	\$ 973.00	\$ 973.00	0%	0.0%
1	80% LIHTC	9	\$ 1,298.00	\$ 1,298.00	0%	0.0%
2	20%	3	\$ 1,234.00	\$ 389.00	317%	0.0%
2	60%	8	\$ 1,168.00	\$ 1,168.00	0%	0.0%
Total		60				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,** RIHousing intends to issue tax-exempt bonds for financing qualified housing developments throughout the state;
- Whereas,** said bonds shall have a term not to exceed 40 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,** RIHousing is also authorized to issue tax-exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** Brisa Ventures LLC (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>
Bernon Mills	Brisa Ventures LLC	\$11,560,000

- 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 \$11,560,000 for rental housing known as Bernon Mills located in Woonsocket, 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 up to \$11,560,000 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. This resolution shall take effect immediately upon adoption.

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

- Approval of the project-based vouchers for eight units from the Woonsocket Housing Authority, and eight HUD 811 vouchers from RIHousing;
- Syndication equity from the sale of low-income housing tax credits and historic credits in amounts 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;

- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market oriented, and the first mortgage loan does not exceed 90% of the as stabilized value of the property;
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Approval by RIHousing of management documentation;
- Confirmation that Brisa Ventures LLC is registered to do business in Rhode Island;
- Execution and delivery by the Applicant of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Evidence of approval of income-averaging from the tax credit investor;
- FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage; 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 the Director of Development, each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.