

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and  
Financing for Bourne Mill III**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,298,500 of 2021 and/or 2022 Low-Income Housing Tax Credits (“LIHTC”) and firm approval of a taxable first mortgage loan in an amount up to \$4,375,000 for Bourne Mill III (the “Development”), a 59-unit rental housing development to be located in Tiverton, Rhode Island. The Armory Revival Company is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners in May 2021 (“Preliminary Approval”).

The proposed Bourne Mill III project will consist of 59 units of mixed-income rental housing in a single newly constructed four-story building located on the site of the redeveloped Bourne Mill complex in Tiverton, RI. The proposed building will be constructed on a vacant infill lot and will complement the restored adjacent Bourne Mill apartments in scale. The Developer envisions a campus-style setting with synergies between the new building and Bourne Mill. Bourne Mill III will benefit from cross amenities with Bourne Mill, including a walking trail, waterfront access, a dog park and a walking/exercising park. Additionally, Bourne Mill III residents will be able to use the Bourne Mill fitness center, billiards room, and community room.

Since Preliminary Approval, the Developer has added a solar component that will make the building net zero when complete. In addition, due to industry wide construction cost increases, the overall construction budget has increased by 30%. To compensate for some of the increase, the Developer has increased their deferred fee by \$450,000 and will provide a seller loan related to the acquisition costs.

The Developer will complete the new construction of the Development using the proceeds from the sale of 9% LIHTCs, a taxable permanent loan, Building Homes Rhode Island loans from the State of RI Housing Resources Commission (the “BHRI Loans”), a RI Rebounds Production Fund loan, a Housing Production Fund loan, a seller loan, several energy related incentives and rebates, a Zero Energy for the Ocean State (“ZEOS”) grant, and a deferred developer fee. RBC Community Investments (“RBC”) will be the syndicator purchasing the 9% LIHTCs at \$0.905 per credit resulting in total syndication proceeds of \$11,750,250.

This RFA requests firm approval of a reservation of an amount not to exceed \$1,298,500 of 2021 and/or 2022 LIHTC and of a first mortgage loan in an amount not to exceed \$4,375,000 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 – Bourne Mill III**

**Preliminary** \_\_\_\_\_

**Firm**   X  

**Date:** June 16, 2022

**Project:** New construction of 59 units of mixed-income rental housing in Tiverton. The project will have 47 units of affordable rental housing and 12 units of market-rate rental housing. The 47 affordable units will be restricted to individuals or families whose income is not more than 60% of AMI and will consist of five efficiency units, nine one-bedroom units and 33 two-bedroom units. The 12 market-rate units proposed consist of three efficiency units, four one-bedroom units, and five two-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Sponsor/Developer</b>	The Armory Revival Company	Providence, RI	Low
<b>Mortgagor</b>	Bourne Net Zero LLC	Providence, RI	Low
<b>Architect</b>	The Architectural Team, Inc.	Chelsea, MA	Low
<b>General Contractor</b>	Stand Corporation	Warwick, RI	Low
<b>Legal</b>	Chace Rutenberg & Freedman, LLP	Providence, RI	Low
<b>Management Agent</b>	Peabody Properties, Inc.	Braintree, MA	Low
<b>Consultant</b>	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
<b>Syndicator</b>	RBC Community Investments, LLC	New York, NY	Low

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	1 Mill Street	Tiverton
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Taxable Loan		
Permanent Loan	\$4,375,000	5.25%/30 with 17-year balloon

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	\$4,350,000	\$73,729	\$25,000	\$4,375,000	\$74,153
Building Homes Rhode Island	\$765,468	\$12,974	\$2,029,479	\$2,794,947	\$47,372
RI Rebounds Production Fund	\$0	\$0	\$1,600,000	\$1,600,000	\$27,119
Housing Production Fund	\$0	\$0	\$177,285	\$177,285	\$3,005
Seller Loan	\$0	\$0	\$135,000	\$135,000	\$2,288
LIHTC Proceeds	\$11,942,706	\$202,419	(\$192,456)	\$11,750,250	\$199,157
Business Energy Investment Tax Credit	\$0	\$0	\$228,218	\$228,218	\$3,868
Deferred Developer Fee	\$29,072	\$493	\$450,175	\$479,247	\$8,123
RI RNC Incentives & Rebates	\$0	\$0	\$192,613	\$192,613	\$3,265
ZEOS	\$0	\$0	\$250,000	\$250,000	\$4,237
Renewable Energy Fund	\$0	\$0	\$223,280	\$223,280	\$3,784
<b>Total Sources</b>	<b>\$17,087,246</b>	<b>\$289,614</b>	<b>\$5,118,594</b>	<b>\$22,205,840</b>	<b>\$376,370</b>

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$12,190,500	\$206,619	\$3,643,120	\$15,833,620	\$268,366
Contingency	\$609,525	\$10,331	\$973,837	\$1,583,362	\$26,837
Acquisition	\$442,500	\$7,500	\$135,000	\$577,500	\$9,788
Soft Costs	\$1,565,005	\$26,526	(\$181,098)	\$1,383,907	\$23,456
Financing	\$751,809	\$12,743	\$153,173	\$904,982	\$15,339
Developer Fee	\$1,115,100	\$18,900	\$370,000	\$1,485,100	\$25,171
Operating Reserve	\$333,632	\$5,655	\$24,562	\$358,194	\$6,071
Replacement Reserve Year 1 Deposit	\$19,175	\$325	\$0	\$19,175	\$325
Other Reserves	\$60,000	\$1,017	\$0	\$60,000	\$1,017
<b>Total Uses</b>	<b>\$17,087,246</b>	<b>\$289,614</b>	<b>\$5,118,594</b>	<b>\$22,205,840</b>	<b>\$376,370</b>

\$1,298,500 LIHTC @ \$.905/credit

## Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$359,351	\$6,091	(\$18,693)	\$340,658	\$5,774
Appraisal Cap Rate	5.75%			5.75%	
Valuation	\$6,249,583	\$105,925	(\$325,094)	\$5,924,489	\$100,415
Loan Principal	\$4,375,000	\$74,153		\$4,375,000	\$74,153
LTV	70.00%		4%	73.85%	

## Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$376,370	\$368,957 less reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.18	
DCR Yr 15	1.34	
NOI	\$340,658	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	74%	
Initial Installment (%) of	15%	

syndication proceeds		
Acquisition Price equal to or less than Appraised value	Yes	\$577,500 vs appraised value of \$885,000
Operating Reserve (Amt and confirm consistency with UW requirements)	\$358,194	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$19,175	\$325 per unit

**Deviations from standard underwriting –None.**

### Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		Market Rent	Discount from Market Rent
				LIHTC Max Rent	% of LIHTC Max Rent		
EFF	60%	5	\$ 954.10	\$ 1,015.00	94%	\$ 1,356.00	30.9%
1	60%	9	\$ 1,022.72	\$ 1,088.00	94%	\$ 1,616.00	38.3%
2	60%	33	\$ 1,227.64	\$ 1,306.00	94%	\$ 1,842.00	35.1%
EFF	120%	3	\$ 1,244.00	\$ -	0%	\$ 1,356.00	8.6%
1	120%	4	\$ 1,552.00	\$ -	0%	\$ 1,616.00	4.1%
2	120%	5	\$ 1,823.00	\$ -	0%	\$ 1,842.00	1.1%
<b>Total</b>		<b>59</b>					<b>28.9%</b>

## 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 The Armory Revival Company (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;

**Whereas,** in May 2021, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2021 and/or 2022 (“LIHTC”), and preliminary approval of permanent financing;

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

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTC</b>	<b>RIHousing 1<sup>st</sup> Mortgage</b>
The Armory Revival Company	Bourne Mill III	\$1,298,500	\$4,375,000

**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 \$1,298,500 of allocated 2021 and/or 2022 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 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 \$4,375,000 for a taxable first mortgage loan to the Borrower for rental housing to be located in Tiverton, Rhode Island and known as Bourne Mill III.

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

- Syndication equity from the allocation of 9% 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;
- 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;
- 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 Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.