

Request for Action
by
Board of Commissioners

**Approval of Reservation of Low-Income Housing Tax Credits
for Bourne Mill III**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for the reservation of up to \$1,298,500 of 2021 and/or 2022 Low-Income Housing Tax Credits (“LIHTC”) for Bourne Mill III (the “Development” or “Bourne Mill III”), a 59-unit rental housing development to be located in Tiverton, Rhode Island. The developer is The Armory Revival Company (“TARC” or the “Developer”), a Rhode Island based for-profit developer with a portfolio of multifamily rental housing developments in Rhode Island.

The proposed Bourne Mill III project will consist of 59 units of mixed-income rental housing in a single newly constructed 4-story building located on the site of the redeveloped Bourne Mill complex in Tiverton, RI. 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.

The proposed building will be constructed on a vacant infill lot and will complement the restored adjacent Bourne Mill apartments in scale. The building is designed in the spirit of the mill housing that surrounded the site when the mills were operational. TARC 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. The immediate neighborhood has many commercial amenities including grocery stores, restaurants, and entertainment facilities.

The project was awarded \$765,668 in Building Homes Rhode Island (“BHRI”) funds in 2019 for 50 affordable units. Since the current proposal assumes 47 affordable units, the Developer will be required to seek approval from the State of Rhode Island Housing Resources Commission for the change in the number of affordable units. Redstone Equity Partners has provided a letter of interest (“LOI”) to TARC with pricing of approximately \$0.92 for the LIHTC. Berkadia has also provided a LOI to TARC to provide a construction/bridge loan for the project. During the underwriting process, RIHousing will work with TARC to determine if RIHousing can provide the permanent debt. The total development costs for Bourne Mill III are approximately \$17,087,200. Proposed permanent sources of funding include: (i) syndication equity from the allocation of LIHTC; (ii) a permanent first mortgage loan from Berkadia or RIHousing; and (iii) BHRI funds.

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 are allocated to the Development. Several of the project's strengths include: (i) desirable campus-style setting with site amenities and shared tenant amenities with the existing Bourne Mill complex; (ii) aesthetically-pleasing design complementing the existing historic mill complex; (iii) location in suburban area close to quality of life amenities; (iv) alignment with passive house design standards; (v) cross-management with the existing Bourne Mill complex allowing the project to benefit from lower operating expenses; and (vi) production of new affordable units in a community that has 5.35% of its housing stock as affordable.

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, awarded the third highest score to Bourne Mill III in the 2021 9% LIHTC Round based on the strength of the application and the criteria outlined in the State of Rhode Island 2021 Qualified Allocation Plan ("QAP"). It is anticipated that the Development will generate 106 jobs during construction.

This Request for Action is for a reservation of up to \$1,298,500 of 2021 and/or 2022 LIHTC.

B. RECOMMENDATION

The attached resolution is recommended for approval subject to:

- Approval of the development team by RIHousing.
- 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 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 Tiverton 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 TARC's December 18, 2020 application submission for 2021 LIHTC.

- Submission of consolidated financial statements for the Developer for the years 2018, 2019, and 2020.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- Approval by the Rhode Island Housing Resources Commission of the change in affordable unit allocation to 47 units.
- 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: The Armory Revival Company
334 Broadway
Providence, RI 02909

Consultant: Barbara Sokoloff Associates
101A Dyer Street
Providence, RI 02903

Contractor: Stand Corporation
105 Pennsylvania Avenue
Warwick, RI 02888

Architect: The Architectural Team
50 Commandant's Way at Admiral's Hill
Chelsea, MA 02150

Legal: To be Determined

Management Agent: Peabody Properties
536 Granite Street
Braintree, MA 02184

Development Team Qualifications

Developer:

Founded in 1986, The Armory Revival Company ("TARC") redevelops and revitalizes historic communities throughout Rhode Island. The company is managed by its founders Robert E. Dupré Jr., H. LeBaron Preston and Mark Van Noppen. TARC has a track record of completing and managing projects that have brought new life and value to the communities in which it works. TARC was the original developer of the Bourne Mill LIHTC project and took it through permitting before selling it to E.A. Fish to develop in 2009 during the last recession. They remain a special limited partner in the Bourne Mill partnership. TARC has 25 employees at its headquarters in the Armory District in Providence. To date, they have completed 526 residences and 207,000 square feet of retail and office space. Projects currently under development include 370 units of rehabbed and new housing and 50,000 square feet of commercial/office space.

Consultant:

Barbara Sokoloff Associates is a housing and community planning consulting firm located in Providence. The firm has extensive experience with affordable housing projects. Ms. Sokoloff and her staff are very familiar with RIHousing's requirements and processes and currently have several projects in the RIHousing pipeline. Most recently they completed consulting services for Georgiaville Village Green, a LIHTC project in Smithfield and Prospect Heights Phases I-III a public housing conversion project in Pawtucket.

Contractor:

Stand Corporation ("Stand") is a full-service general contracting firm that has previous construction experience with RIHousing financed developments. The principals are Ron Caniglia and Craig Sutton. Their portfolio includes commercial, residential, retail, healthcare and educational facilities. Stand is currently the contractor for The Composition in Providence and has successfully completed numerous other affordable housing projects in communities across the state including Georgiaville Village Green, Curtis Arms, Prospect Heights Phase II and Phase III. These completed projects demonstrate Stand's experience as well as their ability to handle a project of this size and scope.

Architect:

Founded in 1971, The Architectural Team, Inc. ("TAT") is 95+ person architectural firm that has earned more than 100 awards for design excellence across a broad range of building types and programs, including: new construction of large-scale urban mixed-use developments, multifamily, commercial, waterfront and hospitality developments, assisted and senior living facilities, and community centers. TAT has extensive experience with multifamily design and recently completed the design and construction administration of Chestnut Commons, a 101-unit market-rate development in Providence, RI.

Management Agent:

Peabody Properties, Inc. ("PPI") was founded in 1976 and currently manages in excess of 13,000 units of multifamily rental housing. They have a workforce of 500+ with a combined total of 300+ professional licenses and designations. Many hold positions of leadership in industry organizations such as the Institute of Real Estate Management (IREM); National Affordable Housing Management Association (NAHMA), New England Affordable Housing Management Associations (NEAHMA), and Rental Housing Associations (RHA). PPI has deep experience in managing affordable housing developments and currently manages a number of developments in the RIHousing portfolio including the adjacent Bourne Mill development.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max		Discount from Market Rent
				Rent	Gross Rent as a % of LIHTC Max	
EFF	60%	5	\$ 913.00	\$ 913.00	0%	9.6%
1	60%	9	\$ 978.00	\$ 978.00	0%	24.6%
2	60%	33	\$ 1,174.00	\$ 1,174.00	0%	31.7%
EFF	100%	3	\$ 1,290.00	\$ -	0%	-8.1%
1	100%	4	\$ 1,613.00	\$ -	0%	-8.1%
2	100%	5	\$ 1,898.00	\$ -	0%	-9.2%
Total		59				20.5%

C. Finance Summary

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$4,350,000	\$73,729
LIHTC Proceeds	\$11,942,706	\$202,419
BHRI 3	\$765,468	\$12,974
Deferred developer fee	\$29,072	\$493
Total Sources	\$17,087,246	\$289,614

Uses	Preliminary	
	Amount	Per Unit
Construction	\$12,190,500	\$206,619
Contingency	\$609,525	\$10,331
Acquisition	\$442,500	\$7,500
Soft Costs	\$1,565,005	\$26,526
Financing	\$751,809	\$12,743
Developer Fee	\$1,115,100	\$18,900
Operating Reserve	\$333,632	\$5,655
Replacement Reserve Year 1 Deposit	\$19,175	\$325
Other Reserves	\$60,000	\$1,017
Total Uses	\$17,087,246	\$289,614

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 2021 and/or 2022 (the “Tax Credits”), and for construction and/or permanent financing as follows:

Applicant	Development	9% LIHTC
The Armory Revival Company	Bourne Mill III	\$1,298,500

- 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 \$1,298,500 of allocated 2021 and/or 2022 Tax Credits be reserved for the Applicant 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 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, the foregoing resolutions are subject to the following conditions:

- Approval of the development team by RIHousing.
- 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.
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- 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 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

**Bourne Mill III
Tiverton, RI**

