

**Request for Action
by
Board of Commissioners**

**Preliminary Approval of Financing for
Braeburn Chatham Apartments**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of: (i) a tax-exempt loan in an amount not to exceed \$17,210,000 and (ii) a Capital Magnet Fund (“CMF”) loan of up to \$500,000 for Braeburn Chatham Apartments (“Braeburn Chatham” or the “Development”). This preliminary approval would support the refinancing of two existing Section 8 developments known as Braeburn Apartments (“Braeburn”) and Chatham Village (“Chatham”), both located in Providence, into a single asset entity with 91 units. The developer is BLVD Capital (“BLVD”), an entity affiliated with the current ownership of Braeburn and Chatham.

Braeburn is comprised of 51 units in four buildings. It was developed as affordable housing in the late 1970s with financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). After the original financing matured, Braeburn was sold to an entity related to BLVD. It is not currently subject to a long-term use restriction. Chatham is comprised of 40 units in seven buildings. It was developed in 1997 using low-income housing tax credits (“LIHTCs”) from RIHousing and financing from a commercial lender. Chatham is in the extended use period of its LIHTC restriction agreement, which expires in 2028. Both sites were purchased by entities related to BLVD in 2016. Each property benefits from a project-based Housing Assistance Payments (“HAP”) contract for 100% of the units. Both properties are in fair condition with some deferred maintenance. RIHousing is the HAP contract administrator.

BLVD’s affordable housing portfolio is comprised of project-based Section 8 properties and LIHTC properties. In addition to Braeburn and Chatham, BLVD owns minority interests in two other properties in Rhode Island, Rock Ridge and Park Plaza. BLVD did encounter difficulties with Park Plaza, a Section 8 development for which RIHousing provides Section 8 contract administration, and which BLVD purchased with equity but no debt. After purchase, BLVD discovered that the site had significant construction defects because of work completed by the prior owner and its affiliated construction company. After the issues were raised to BLVD’s asset management team, BLVD worked with the ownership entity to fund \$1.5 million in new equity; replace the existing roofs, windows, and some siding; and remediate water damage to unit interiors. BLVD also replaced the management company overseeing the property.

Braeburn Chatham, LP, the new limited partnership, will consist of an affiliate of the Developer as the general partner and a syndicator-sponsored tax credit fund as the limited partner. The Developer will complete the renovations using the proceeds from a new loan and sale of LIHTCs.

The current renovation budget including contingency is \$64,000 per unit. BLVD has completed a capital needs assessment (“CNA”) and Phase 1 Environmental Site Assessment as part of their due diligence, all of which will inform the final scope of work. The current construction budget includes all the required items identified in the CNA, including those items that were projected to be addressed over the 10 years following acquisition. The scope of work includes:

- Exterior:* Roofs, windows, siding, entry doors, and exterior lighting
- Mechanical:* New boilers and hot water heaters, upgraded plumbing/fixtures, upgraded electrical service, fire alarm panel replacement, and security systems upgrades
- Interior:* Common area upgrades and complete unit rehabilitation

RIHousing has been reviewing all reports and will approve the final scope of work.

The Developer currently engages Barkan Management Company, Inc. (“Barkan”) as its management agent. Barkan is part of The Barkan Companies. There is no identity of interest between the firms. Barkan currently manages the Developer’s other Rhode Island properties.

The Development is subsidized by two HAP contracts. The current HAP contract rents are below-market rents. As part of the transaction, the Developer has requested (i) a mark-up-to-market rent increase to the current HAP contract, and (ii) a 20-year HAP contract subject to federal appropriations.

Financing:

The total Development cost is approximately \$24,127,500. The primary sources of financing are a tax-exempt loan of \$17,210,000 of which \$12,681,000 will remain as permanent debt, equity from the sale of LIHTCs, a Capital Magnet Loan, a Preservation Loan Fund Program loan from the Affordable Housing Trust and a deferred developer fee. The Developer has requested that RIHousing provide conduit tax-exempt financing. It is expected that Citibank, N.A. (“Citibank”) will be the Delegated Underwriting and Servicing (“DUS”) lender and sell the loan to Freddie Mac under the Freddie Mac Tax Exempt Loan Purchase Program. Citibank will be the lender of record and loan servicer. Like a private placement, Citibank, and subsequently Freddie Mac, will bear all financial risk should the borrower default on the loan.

Citibank, as DUS lender, has provided a preliminary term sheet. The final sizing of the mortgage will be limited to 90% of the post-rehabilitation value of the building with a debt service coverage of 1.15. The Developer will pay the full cost of issuance and all RIHousing fees associated with the transaction. RIHousing will charge a one-time issuer fee of 1% and an annual servicing fee of 25 basis points on the loan.

This Request for Action is for preliminary approval of: (i) a tax-exempt loan in the amount of \$17,210,000 and (ii) a Capital Magnet Loan of up to \$500,000 for Braeburn Chatham Apartments.

B. RECOMMENDATION

The attached Resolution for Preliminary Commitment of Financing for Braeburn Chatham Apartments is recommended for approval subject to:

- HUD approval of the borrower's rent request and waivers;
- Evidence of the availability of a 20-year HAP contract for the Development at rent levels, in the judgment of RIHousing, sufficient to ensure project feasibility;
- Approval by RIHousing of all members of the development team;
- Syndication proceeds from the sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Approval of a Preservation Loan Program Fund loan from the Affordable Housing Trust;
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the post rehabilitation as-stabilized value of the property;
- Receipt and approval of third-party reports including CNA and Phase I Environmental Report;
- Approval by RIHousing of construction plans and specifications and construction documentation including an acceptable reserve analysis for the rehabilitation items not immediately undertaken following acquisition;
- Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;
- RIHousing approval of all Citibank loan documents;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing; and
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.

C. ATTACHMENTS

- A. Development Summary
- B. Term Sheet
- C. Resolution
- D. Site Map

Attachment A
Development Summary

A. Development Team

Sponsor: BLVD Capital
11911 San Vicente Blvd#355
Los Angeles, CA 90049

Mortgagor: Braeburn Chatham, LP

Architect: David Presbrey Architects, A Corporation
810 Eddy Street
Providence, RI 02905

General Contractor: TBD

Management Agent: Barkan Management Company, Inc.
7 Wells Avenue, Suite 11
Newton, MA 02459-3212

Attorney: TBD

Development Team Qualifications

Sponsor:

BLVD Capital (“BLVD”) is a privately held real estate investment company founded in 2010. BLVD is focused on the acquisition, asset management and preservation of affordable housing across the country. Currently, BLVD’s portfolio consists of more than 6,000 units in 17 states. BLVD’s strategy is to identify underperforming, poorly maintained properties in transitional markets. The managing principals are Rob Budman and Patrick Luke. Mr. Budman will provide the guarantees to Citibank and the limited partner.

Architect:

Established in 1972, David Presbrey Architects, A Corporation (“Presbrey Architects”) has been engaged in a wide variety of both residential and commercial projects. In 2014, Brian Poor assumed the leadership role. Mr. Poor and his staff are well respected and very familiar with RIHousing’s design and construction requirements. They have recently provided services for Trio Partners a 354-unit acquisition rehabilitation project that combined three separate large Section 8 properties into one single asset entity, similar to Braeburn Chatham.

Management Agent:

Barkan Management Company Inc. (“Barkan”) is part of The Barkan Companies (“TBC”) a family-owned business started in 1964 as a construction company. Over the past years, TBC

has expanded to include property management, renovation, development and affordable housing compliance. The management company was established in 1981. Barkan manages the six BLVD properties in New England, and recently became the property manager for the Pawtucket Central Falls Development Corporation portfolio.

B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent
1	60%	10	\$ 1,535.00	\$ 922.00	166%
2	60%	18	\$ 1,720.00	\$ 1,107.00	155%
3	60%	12	\$ 1,990.00	\$ 1,278.00	156%
1	60%	1	\$ 1,315.00	\$ 922.00	143%
1	60%	16	\$ 1,380.00	\$ 922.00	150%
2	60%	5	\$ 1,485.00	\$ 1,107.00	134%
2	60%	5	\$ 1,620.00	\$ 1,107.00	146%
2	60%	24	\$ 1,575.00	\$ 1,107.00	142%
Total		91			

C. Finance Summary

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$12,680,947	\$139,351
Capital Magnet Fund	\$500,000	\$5,495
Preservation Loan Fund Program	\$490,000	\$5,385
LIHTC Proceeds	\$8,640,432	\$94,950
Deferred Developer Fee	\$1,816,421	\$19,961
Total Sources	\$24,127,800	\$265,141

Uses	Amount	
	Amount	Per Unit
Construction	\$5,357,875	\$58,878
Contingency	\$535,788	\$5,888
Acquisition	\$11,557,500	\$127,005
Soft Costs	\$1,739,486	\$19,115
Financing	\$863,308	\$9,487
Developer Fee	\$3,008,094	\$33,056
Operating Reserve	\$786,901	\$8,647
Replacement Reserve Year 1 Deposit	\$182,000	\$2,000
Other Reserves	\$96,848	\$1,064
Total Uses	\$24,127,800	\$265,141

Attachment B
Conduit Loan Term Sheet

Issuer Fee:	1% of bond amount
Servicing Fee:	25bps
Tax Credit Fee:	1% of the 10-year credit amount
Cost of Issuance:	Borrower will pay the full cost of issuance
Legal Fees:	Borrower will pay Lender's legal fees
Third Party Fees:	The Borrower shall be responsible for paying any and all of RIHousing's third-party fees required to complete the due diligence review and close the transaction. Costs may be capitalized in the development budget.
Operating Reserve:	A minimum reserve equal as sized by Citibank will be required.
Replacement Reserve:	The Borrower shall capitalize a new replacement reserve account equivalent to \$2,000 per unit or a lesser amount determined by Citibank if acceptable to RIHousing. The Borrower shall make monthly deposits to a replacement reserve at a minimum amount of \$300/unit/year. The final determination of annual deposits will be based upon RIHousing and Citibank review and acceptance of the Capital Needs Assessment.
Tax Escrow:	Borrower shall capitalize a real estate tax escrow at loan closing with Citibank and thereafter shall make monthly deposits to a tax escrow, held by Citibank equal to one-twelfth of the annual real estate taxes.
Insurance Escrow:	Borrower shall capitalize an insurance escrow at loan closing with Citibank N.A. and thereafter shall make monthly deposits to an insurance escrow held by Citibank equal to one-twelfth of the annual insurance premium.

ATTACHMENT C
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, the elderly, or others in locations where there is a need for such housing;

Whereas: RIHousing intends to issue tax-exempt financing for the purpose of financing qualified housing developments throughout the state;

Whereas: said loans shall have a term not to exceed thirty (35) 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 authorized to issue conduit financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

Whereas: The applicant (“Applicant”) listed below has presented an application to RIHousing requesting mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

Development	Applicant	Tax Exempt Loan	Capital Magnet Fund
Braeburn Chatham Apartments	BLVD Capital	\$17,210,000	\$500,000

Whereas: RIHousing staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines and policies;

Whereas: RIHousing finds:
 (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 will be of public use and will provide a public benefit;

(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 Rhode Island Housing and Mortgage Finance Corporation 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 grants preliminary approval for tax-exempt financing to a limited partnership to be formed by the Applicant, in an amount not to exceed \$17,210,000 for rental housing known as Braeburn Chatham Apartments located in Providence, Rhode Island;

Resolved: that RIHousing hereby declares that this preliminary approval constitutes the affirmative official act of RIHousing of its intention to issue tax-exempt financing up to \$17,210,000 plus the required reserve funds and the related costs of issuance for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

Resolved: that, in order to fund the loan to the Development, RIHousing may enter into a loan arrangement with Citibank (the "Citibank Loan") substantially in accordance with the terms outlined in the Request for Action to which this resolution is attached;

Resolved: that the Executive Director, Deputy Executive Director or the Director of Finance (each, an "Authorized Officer"), acting singly, be and each hereby is authorized to enter into such documents with Citibank as it may require to evidence the Citibank Loan, including, without limitation, a funding loan agreement, note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners of RIHousing;

Resolved: that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation,

(i) the execution and delivery on behalf of RIHousing of all such other agreements, documents and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners;

Resolved: that, subject to the special conditions listed below, RIHousing hereby grants preliminary approval for a Capital Magnet Loan to a limited partnership to be formed by the Applicant, in an amount not to exceed \$500,000 for rental housing known as Braeburn Chatham Apartments located in Providence, Rhode Island;

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

- HUD approval of the Borrower's rent request and waivers;
- Evidence of the availability of a 20-year HAP contract for the Development at rent levels, in the judgment of RIHousing, sufficient to ensure project feasibility;
- Approval by RIHousing of all members of the development team;
- Syndication proceeds from the sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Approval of a Preservation Loan Program Fund loan from the Affordable Housing Trust;
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the post-rehabilitation as-stabilized value of the property;
- Receipt and approval of third-party reports including CNA and Phase I Environmental Report;
- Approval by RIHousing of construction plans and specifications and construction documentation including an acceptable reserve analysis for the rehabilitation items not immediately undertaken following acquisition;
- Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;
- RIHousing approval of all Citibank loan documents;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing; and

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.

Resolved: that the Executive Director, Deputy Executive Director, and the Director of Development, each acting singly, are hereby authorized and directed to take any and all actions they deem necessary and appropriate to carry out the foregoing resolutions.

Attachment D

SITE MAP

**Braeburn Chatham Apartments
Providence, RI 02909**

