

**REQUEST FOR ACTION
BY
BOARD OF COMMISSIONERS**

*Authorization to Issue Tax-Exempt Loan to Support Redevelopment of
Braeburn Chatham Apartments
\$19,500,000*

1. Summary of Issues

As part of the process of financing the acquisition and rehabilitation of Braeburn Chatham Apartments in Providence, staff has requested the Board of Commissioners to approve the issuance by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) of a tax-exempt note not to exceed \$19,500,000. Braeburn Chatham Apartments provides 91 units of housing of which 100% will be affordable to households whose incomes are at or below 60% of median income. The developer, BLVD Capital Investments (“BLVD”), will form a limited partnership, Braeburn Chatham, LP (the “Borrower”), which will be the owner of the project and the recipient of the loan.

This Request for Action is for authorization to enter into a tax-exempt private placement back-to-back loan structure with Citibank, N.A. (“Citibank”) to fund the loan for Braeburn Chatham Apartments.

Citibank will make a direct loan to RIHousing and RIHousing will issue a tax-exempt note to Citibank evidencing the loan. RIHousing, in turn, will advance the loan proceeds to the Borrower under the agency’s tax-exempt bond volume cap that will otherwise go unused. The back-to-back loan proceeds will be deemed tax-exempt. RIHousing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility. Because the loan is considered to be a tax-exempt financing, the Development will be eligible to receive 4% low-income housing tax credits and generate approximately \$9.3 million in equity to fund development costs.

The Citibank loan will be non-recourse to RIHousing. RIHousing will only need to provide an assignment of its rights under the loan to Citibank. The Borrower note and mortgage will also be assigned to Citibank. Citibank will service the loan made to the Borrower and will bear all financial risk should the Borrower default on the loan.

The structure provides a number of advantages to the participants. The Borrower receives a better interest rate, reduced transaction fees and a more expedited closing process. Citibank is able to record this transaction as a loan for purposes of its evaluation under the Community Reinvestment Act. RIHousing will receive a one-time origination fee of 1.0% of the principal amount of the loan, plus an annual issuer fee equal to 12.5 basis points of the outstanding loan, without having to service the loan to the Borrower or bearing any financial risk from the Borrower’s default. BLVD will pay all costs associated with the transaction.

Attachment B sets forth the terms of the loan agreement between RIHousing and Citibank and Attachment C sets forth the terms of the loan agreement between RIHousing and the Borrower.

2. Recommendation

RIHousing staff recommends approval of the attached resolutions authorizing a loan from Citibank in an amount up to \$19,500,000 to finance a tax-exempt loan to the Borrower for the acquisition and rehabilitation of Braeburn Chatham Apartments, and the execution of the loan agreements in substantially the form set forth in Attachments B and C.

3. Attachment

- A. Authorizing Resolution
- B. Funding Loan Agreement with Citibank
- C. Borrower Loan Agreement