

**Request for Action**  
by  
**Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and  
Financing for Brookside Terrace Phase II**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,239,502 of 2020 and 2021 low-income housing tax credits (“LIHTC”), and firm approval of (i) a taxable first mortgage in an amount up to \$1,125,000, and (ii) a Housing Trust Fund (“HTF”) Program loan in the amount of \$720,000 for Brookside Terrace Phase II (the “Development” or “BT Phase II”), a 48-unit rental housing development located in East Greenwich, Rhode Island. The developer is Dakota Partners, Inc. (“DPI” or the “Developer”), a Massachusetts based for-profit developer with a portfolio of workforce and affordable housing developments in Rhode Island, Connecticut, New Hampshire and Massachusetts. In May 2020, the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) approved the preliminary reservation of LIHTC and financing for the Development.

The Development is the second phase of a 2-phase 96-unit affordable housing development in East Greenwich. BT Phase II will consist of 48 units in 2 three-story garden-style newly-constructed residential buildings. The proposed buildings will provide a mix of 12 one-bedroom and 36 two-bedroom units and will benefit from a single-story clubhouse/community building and other site infrastructure being built as part of Brookside Terrace Phase I (“BT Phase I”). The Development will include energy-efficient elements including passive housing design and National Grid’s Residential New Construction Tier II standards. The 17-acre site is well located along South County Trail (Route 2) and is close to many shopping and recreation amenities. Much of the site is wetlands and unsuitable for further development and these areas will remain undisturbed.

Six (6) of the units will be affordable to tenants at 30% area median income (“AMI”) and will be designated as HUD Section 811 Program units with an associated HUD Section 811 project-based voucher contract. The remaining 42 units will be restricted to residents with incomes at or below 60% AMI. A market study recently commissioned for BT Phase II supports the proposed 60% AMI units evidencing desirable penetration and absorption rates.

The Town of East Greenwich has the highest median income in the state and housing prices are well above the median price of a home in Rhode Island. There is very little affordable rental housing in the area. The Town of East Greenwich modified its zoning ordinances to increase multifamily zoned land in areas that are accessible to services, transportation and facilities. The combined BT Phase I and BT Phase II parcels were specifically targeted by the town in its Comprehensive Plan to expand the availability of affordable housing in East Greenwich.

As with BT Phase I, DPI will self-perform the construction and has developed a construction budget based on actual subcontractor bids for the BT Phase I project as the buildings are identical. DPI has outlined an aggressive schedule to move the Development forward. The Developer has submitted

90% plans and specifications with 100% plans expected by mid- October. The Developer is expecting a December 2020 closing.

As part of the underwriting process, RIHousing staff has worked with the Developer since preliminary approval to appropriately size the soft cost budget, including reserves and carrying costs, to ensure that the minimum amount of tax credits and soft sources are allocated to the Development. Several of the project's strengths include: (i) a strong developer and builder who is currently developing BT Phase I along with Lincoln Lofts and other affordable and mixed income multifamily housing developments throughout New England; (ii) site work and infrastructure constructed for BT Phase I that reduce the total development costs for the BT Phase II project; (iii) the development of housing in a community with less than 10% affordable housing; (iv) the utilization of energy-efficient elements including passive housing design and National Grid's Residential New Construction Tier II standards; and (v) significant access to retail, entertainment, schools, government and employment opportunities given the location of the site in a highly developed commercial area.

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.

Santander Bank, N.A. ("Santander") will provide a \$9,000,000 construction loan for the Development. RedStone Equity Partners ("Redstone") has provided a letter of interest ("LOI") to DPI with pricing of approximately \$0.9425 for the LIHTC. Santander is the investor in the Redstone Fund. The total development costs for BT Phase II are approximately \$13,500,000. Proposed permanent sources of funding include: (i) a permanent first mortgage loan from RIHousing, (ii) syndication equity from the allocation of the LIHTC, and (iii) a HTF Program loan from RIHousing.

The RFA is for firm approval of a reservation of up to \$1,239,502 of 2020 and 2021 LIHTC, and firm approval of (i) a first mortgage loan in an amount of up to \$1,125,000, and (ii) a HTF Program loan in an amount of up to \$720,000.

## **B. RECOMMENDATION**

The attached resolution is recommended for approval subject to:

- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing.
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing.
- Final approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Final approval of plans and specifications by RIHousing, as well as related construction documentation.
- Execution and delivery by DPI of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender.

- Closing of a construction loan with Santander Bank, N.A. in amounts sufficient to achieve project feasibility.
- FHA Risk Sharing approval from HUD for a minimum of 50% of the first mortgage.
- 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**

<b>Developer &amp; Contractor:</b>	Dakota Partners, Inc. 1264 Main St. Waltham, MA 02451
<b>Architect:</b>	Ed Wojcik Architect, Ltd. 1 Richmond Square, Ste. 100 Providence, RI 02960
<b>Legal:</b>	Sheehan Phinney Bass & Green PA 255 State St Boston, MA 02109
<b>Management Agent:</b>	Maloney Properties Inc. 27 Mica Lane Wellesley, MA 02481

### **Development Team Qualifications**

#### *Developer and Contractor*

Dakota Partners, Inc. (“DPI”), which was founded in 2006, is a Massachusetts-based real estate developer and builder involved in the acquisition and development of multi-family rental communities and for-sale projects throughout New England, New York and states along the Atlantic seacoast. They have completed both suburban and urban projects. DPI and its team have successfully acquired or completed over 900 residential units, including: several garden-style affordable housing developments in New England, the conversion of a historic New Hampshire mill into loft-style apartments, and projects involving the adaptive reuse of historic urban buildings in Hartford, Connecticut. In addition to Brookside Terrace Phase I, DPI is currently developing Lincoln Lofts, the redevelopment of a historic mill into 45 affordable apartments in Lincoln, RI, which is expected to be delivered for occupancy later this year.

DPI has experience with state and federal affordable housing programs, real estate transactions utilizing low-income housing tax credits, historic tax credits, community development block grants, and other housing and urban development programs. DPI is led by principals Marc Daigle (CEO) and Roberto Arista (President).

#### *Architect*

Ed Wojcik Architect, Ltd. (“Ed Wojcik”) is a full-service architectural firm located in Providence, Rhode Island. Ed Wojcik began his own career in 1998 building direct relationships with clients and the community. He has a history of completing projects in a timely fashion and utilizes a core group

of consultants. The firm works on both residential and commercial developments. Some of their other current clients include the Pawtucket Housing Authority, West Bay Community Action, Inc., Smith Hill Community Development Corporation, Brown University, Rhode Island School of Design, Johnson and Wales University and FM Global. Ed Wojcik was also the architect for Lincoln Lofts, developed by DPI, and the recently completed Branch Street Revival, a 9% LIHTC project in Pawtucket, RI.

### *Legal*

Sheehan Phinney Bass & Green PA (“Sheehan Phinney”) provides developers and owners of affordable housing projects with services relating to acquisition, development, investment, tax planning, financing, and operation of affordable housing projects. Sheehan Phinney attorneys are experienced in affordable housing development financed through multiple revenue sources, including the syndication of 9% and 4% LIHTC, New Hampshire state credits, the award of state and local HOME Program funds, tax-exempt bonds, grants and traditional financing vehicles.

Ken Viscarello is Chair of the Sheehan Phinney’s Affordable Housing Group. Over the past 20 years, Mr. Viscarello has represented a number of both for-profit and not-for-profit developers in securing project financing through numerous funding sources, including the syndication of LIHTC, New Hampshire Housing Finance Authority Multi-Family Housing Bonds, State HOME Program Funds, municipal HOME Program Funds, HUD 223(f) and HUD 221(d)(4) loans.

### *Management Agent*

Maloney Properties Inc. (“Maloney”) is a full-service property management company established in 1981 and headquartered in Boston, MA. Maloney will incorporate this development into their current portfolio of over 80 developments containing more than 8,500 units. In Rhode Island, Maloney currently manages the NeighborWorks Blackstone River Valley portfolio. Maloney will be the management agent for Brookside Terrace Phase I and Lincoln Lofts when those projects are placed in service. With a diverse staff of over 350 employees, Maloney is experienced with the requirements of LIHTC funded developments as well as RIHousing’s loan servicing and asset management team. Maloney is a certified MBE and WBE.

## B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
1	30%	4	\$ 479.22	\$ 461.00	104%	64.0%
1	60%	8	\$ 903.56	\$ 922.00	98%	28.8%
2	30%	2	\$ 593.88	\$ 553.00	107%	61.8%
2	60%	34	\$ 1,084.86	\$ 1,107.00	98%	26.3%
<b>Total</b>		<b>48</b>				

## C. Finance Summary

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$1,125,000	\$23,438	\$0	\$1,125,000	\$23,438
Housing Trust Fund	\$720,000	\$15,000	\$0	\$720,000	\$15,000
LIHTC Proceeds	\$11,402,275	\$237,547	(\$278,863)	\$11,681,138	\$243,357
Other (Describe)	\$6,500	\$135	\$6,500	\$0	\$0
<b>Total Sources</b>	<b>\$13,253,775</b>	<b>\$276,120</b>	<b>(\$272,363)</b>	<b>\$13,526,138</b>	<b>\$281,795</b>

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$8,750,941	\$182,311	(\$202,607)	\$8,953,548	\$186,532
Contingency	\$437,547	\$9,116	(\$10,130)	\$447,677	\$9,327
Acquisition	\$725,000	\$15,104	\$0	\$725,000	\$15,104
Soft Costs	\$1,386,843	\$28,893	(\$54,429)	\$1,441,272	\$30,027
Financing Costs	\$766,067	\$15,960	(\$5,475)	\$771,542	\$16,074
Developer Fee	\$907,200	\$18,900	\$0	\$907,200	\$18,900
Operating Reserve	\$235,177	\$4,900	\$1,278	\$233,899	\$4,873
Replacement Reserve Year 1 Deposit	\$16,800	\$350	\$0	\$16,800	\$350
RE Tax & Insurance Escrow	\$28,200	\$588	(\$1,000)	\$29,200	\$608
<b>Total Uses</b>	<b>\$13,253,775</b>	<b>\$276,120</b>	<b>(\$272,363)</b>	<b>\$13,526,138</b>	<b>\$281,795</b>

\$1,239,502 LIHTC at \$.9425/credit

**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,** in May 2020, the RIHousing Board of Commissioners granted preliminary approval of the reservation of low-income housing tax credits available in calendar years 2020 and/or 2021 (the “Tax Credits”) for construction and/or permanent financing for the applicant (“Applicant”) listed below to construct the development (“Development”) as set forth below:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTCs</b>	<b>RIHousing 1<sup>st</sup> Mortgage</b>	<b>HTF Program Loan</b>
Dakota Partners, Inc.	Brookside Terrace Phase II	\$1,239,502	\$1,125,000	\$720,000

- Whereas,** RIHousing Board of Commissioners and staff reviewed the Applicant’s submission for the reservation of Tax Credits and determined that the submission qualifies for the reservation of up to \$1,239,502 of allocated 2020 and 2021 Tax Credits pursuant to Section 4.3 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”); and
- Whereas,** RIHousing Board of Commissioners and staff reviewed the Applicant’s submission, inspected the site, and determined that the Development qualifies for financing under RIHousing’s enabling legislation, regulations, guidelines and policies.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of the reservation of up to \$1,239,502 of allocated 2020 and 2021 Tax Credits for the Applicant pursuant to the RIHousing Regulations, 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, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,125,000 for a taxable first mortgage loan to Dakota Partners, Inc. or an affiliated entity (the “Borrower”) for rental housing to be located in East Greenwich, Rhode Island and known as Brookside Terrace Phase II.

**Resolved,** that, subject to the special conditions listed below RIHousing hereby approves firm commitment for a Housing Trust Fund loan to the Borrower in an amount not to exceed \$720,000 for rental housing to be located in East Greenwich, Rhode Island and known as Brookside Terrace Phase II.

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

- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing.
- Syndication equity from the allocation of low-income housing tax credits in an amount sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing.
- Final approval by RIHousing of all management related issues including the marketing and tenant selection plans.
- Final approval of plans and specifications by RIHousing, as well as related construction documentation.
- Execution and delivery by the Borrower of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender.
- Closing of a construction loan with Santander Bank, N.A. in amounts sufficient to achieve project feasibility.
- FHA Risk Sharing approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage.
- 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, 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

Brookside Terrace Phase II  
East Greenwich, RI

