

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Copley Chambers I

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable financing in an amount not to exceed \$3,000,000 of which \$2,391,000 will remain as permanent financing for Copley Chambers I in Providence (hereinafter referred to as “Copley Chambers I” or the “Development”). Marathon Development, LLC is the developer (“Marathon” or the “Developer”).

Copley Chambers I is the proposed rehabilitation of a blighted vacant historic building located in the Upper South Providence neighborhood. The building is officially listed on the National Register of Historic Places. Constructed in 1913 as one of the first apartment buildings in the city, the building is now in shell condition. Marathon proposes to convert the structure into a mixed-use building with 26 affordable apartment units and a first-floor commercial space occupied by supportive service providers. Communal amenities will include a community room and laundry facility. No onsite parking will be available for residents.

The 26 apartment units will be comprised of five efficiency units, 18 one-bedroom units, and three two-bedroom units. Two of the dwelling units will be ADA compliant. The Development has secured 8 project-based vouchers from the Providence Housing Authority. The dwelling units will be restricted to individuals or households earning between 30% and 80% of area median income.

The Developer will rehabilitate the Development using this financing and proceeds from the sale of Federal Historic Tax Credits, a Building Homes Rhode Island (“BHRI”) loan from the RI Housing Resources Commission, Acquisition and Revitalization Program (“ARP”) funds, and a deferred developer’s fee. The BHRI loan and ARP funds have already been secured.

This RFA seeks preliminary approval of a taxable construction loan in an amount not to exceed \$3,000,000 of which \$2,391,000 will remain as permanent debt subject to certain conditions as set forth in the attached Resolution.

B. ATTACHMENTS

- A. Credit Summary
- B. Resolutions

Attachment A

Approval Loan Recommendation Summary – Copley Chambers I

Preliminary X

Firm _____

Date: April 13, 2022

Project: Rehabilitation of a vacant and blighted historic property located in Upper South Providence. Marathon Development proposes to convert the structure into a mixed-use building with 26 affordable apartment units and a commercial space occupied by supportive service providers. The 26 apartments will be comprised of five efficiency units, 18 one-bedroom units, and three two-bedroom units.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Marathon Development, LLC	Boston, MA	Medium
Mortgagor	Copley Chambers I LLC	Boston, MA	Low
Architect	Newport Collaborative Architects	Newport, RI	Low
General Contractor	Marathon Construction Inc.	Boston, MA	Medium
Legal	Nixon Peabody	Providence, RI	Low
Management Agent	Phoenix Property Management	Warwick, RI	Low
Consultant	NA	NA	NA
HTC Syndicator	TBD	TBD	TBD

Executive Summary

	Address	City
Property Address	206 Broad Street	Providence, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Taxable Construction to Permanent Loan	\$3,000,000 of which \$2,391,000 will be Permanent	4.00% / 2 Years 4.875% / 40 Years

Note: Interest rates are subject to change based on market conditions and deal specifics

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$2,391,000	\$91,962
Fed. Historic Tax Credit Proceeds	\$722,842	\$27,802
Building Homes Rhode Island	\$1,950,000	\$75,000
Acquisition and Revitalization Program	\$1,620,313	\$62,320
Deferred Developer Fee	\$58,612	\$2,254
Total Sources	\$6,742,767	\$259,337

Uses	Preliminary	
	Amount	Per Unit
Construction	\$3,674,698	\$141,335
Contingency	\$380,711	\$14,643
Acquisition	\$900,000	\$34,615
Soft Costs	\$564,913	\$21,727
Financing	\$443,615	\$17,062
Developer Fee	\$587,282	\$22,588
Operating Reserve	\$162,133	\$6,236
Replacement Reserve Year 1 Deposit	\$8,450	\$325
Other Reserves	\$20,966	\$806
Total Uses	\$6,742,768	\$259,337

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$259,337	
Residential Vacancy Rate	7%	
Commercial Vacancy Rate	10%	
DCR Yr 1	1.17	
DCR Yr 15	1.31	
NOI	\$151,328	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Waiting on final “as-complete” appraisal
Initial Installment (%) of syndication proceeds	TBD	Waiting on HTC Syndicator LOI
Acquisition Price equal to or less than Appraised value	TBD	Waiting on final “as-is” appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$162,133	Equal to 6 months of debt and OPEX
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$8,450	\$325 per unit

Deviations from standard underwriting – None

Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Discount from Market Rent
EFF	30%	3	\$ 1,038.00	20.8%
1	30%	5	\$ 1,175.00	21.1%
EFF	60%	1	\$ 882.00	34.3%
1	60%	5	\$ 1,007.00	34.0%
EFF	80% Non-LIHTC	1	\$ 1,174.00	9.0%
1	80% Non-LIHTC	8	\$ 1,339.00	8.5%
2	80% Non-LIHTC	3	\$ 1,513.00	9.0%
Total		26		18.3%

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: RIHousing intends to provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;

Whereas: Marathon Development, LLC (the “Applicant”) has presented an application to RIHousing requesting mortgage financing to rehabilitate the Development as set forth below:

Applicant	Development	RIHousing Mortgage
Marathon Development, LLC	Copley Chambers I	\$3,000,000

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 subject to the special conditions listed below, RIHousing hereby declares preliminary commitment for taxable financing for Copley Chambers I LLC or an affiliated entity (the “Borrower”) in an amount not to exceed \$3,000,000, of which \$2,391,000 will remain as permanent financing, for rental housing known as Copley Chambers I located in Providence, Rhode Island;

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

- Syndication proceeds from the sale of federal historic tax credits in an amount sufficient to ensure development feasibility;
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Confirmation that Marathon Construction Inc. is registered to do business in Rhode Island;
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported by the market and the first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of all management documentation;
- Recordation of a RIHousing 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.

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.