

Request for Action
by
Board of Commissioners

Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Firm Approval of Financing for Frenchtown Road I & II

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of 2022/2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$545,682, as well as firm approval of (i) a HOME Investment Partnerships Program (“HOME”) Loan in an amount not to exceed \$1,336,164; (ii) a Housing Trust Fund (“HTF”) Loan in an amount not to exceed \$1,781,552; (iii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$1,428,060 and (iv) a RI Rebounds Production Fund (“RIRPF”) Loan in an amount not to exceed \$757,000 for Frenchtown Road I (“Frenchtown I”). This RFA is also seeking firm approval of: (i) tax-exempt construction financing of up to \$7,500,000; (ii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$483,440; and (iii) a RIRPF Loan in an amount not to exceed \$1,213,875 for Frenchtown Road II (“Frenchtown II” and together with Frenchtown I, “Frenchtown I & II” or the “Development”).

The developer of Frenchtown I & II is a joint venture between Pennrose, LLC and Cove Homes Incorporated (collectively, the “Developer”).

Frenchtown I & II is a proposed 63-unit mixed income development on a vacant site located at 655 Frenchtown Road in East Greenwich. This is a hybrid development comprised of a 30-unit 4% LIHTC project as well as a 33-unit 9% LIHTC project, each owned by a separate entity. The projects must be completed simultaneously as the 63 new units are in a single building.

The four-story building will be elevator served and includes ample community and management space. The ground floor of the building features offices for Cove Homes Incorporated staff, a wellness center for resident programming, as well as spaces for management and supportive services. Additional community spaces include a gathering/event space with a kitchen and dining area, as well as a lounge area off a landscaped courtyard. The building is designed to meet National Grid’s RNC Tier II and the latest Energy Star Multifamily New Construction standards. All the electricity for the property’s site and common area load will be powered by a combination of rooftop solar and renewables. Budgetary support will be provided through community net metering.

Frenchtown I & II will serve a range of incomes, including 24 units at 30% of area median income (“AMI”), 2 units at 50% AMI, 30 units at 60% AMI, and 7 units at market rate. Eight of the 30% AMI units will be subsidized with U.S. Department of Housing and Urban Development (“HUD”) Section 811 vouchers providing supportive housing for persons with disabilities. Each tranche will also benefit from project-based vouchers (“PBVs”) administered by the East Greenwich Housing Authority (the “EGHA”).

There have been several changes since preliminary approval. Most notably, (i) the number of market rate units has been reduced from 19 to 7, resulting in 12 additional LIHTC units, (ii) the distribution of units has been modified such that there are now one- and two-bedroom units in each tranche

which resulted in shifting of sources and uses across each tranche, (iii) the Developer received a federal earmark of \$2,000,000 to assist with project costs, and (iv) the Developer was awarded eight additional PBVs from the EGHA. These additional PBVs now allow the 4% project to carry permanent debt.

Since preliminary approval, construction costs have increased and the Developer undertook value engineering to address these escalating costs. The Developer was awarded Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission for both Frenchtown I & II to help offset those increased costs. The Developer also conducted a third-party utility allowance study and has received approval to use the proposed utility allowance fees for all LIHTC, Section 811, and PBV units.

The Developer has secured both construction and permanent financing through Cedar Rapids Bank & Trust (“CRBT”) for Frenchtown I. CRBT will also provide the permanent financing for Frenchtown II. CREA, LLC is the LIHTC syndicator for both transactions.

This RFA requests firm approval of a reservation of an amount not to exceed \$545,682 of 2022/2023 9% Low-Income Housing Tax Credits, as well as firm approval of: (i) a HOME Loan in an amount not to exceed \$1,336,164; (ii) an HTF Loan in an amount not to exceed \$1,781,552; (iii) a HPF Loan in an amount not to exceed \$1,428,060 and (iv) a RIRPF Loan in an amount not to exceed \$757,000 for Frenchtown I. This RFA also requests firm approval of: (i) tax-exempt construction financing of up to \$7,500,000; (ii) an HPF Loan in an amount not to exceed \$483,440; and (iii) a RIRPF Loan in an amount not to exceed \$1,213,875 for Frenchtown II.

B. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution Frenchtown Road I
- C.** Resolution Frenchtown Road II

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – FRENCHTOWN ROAD I & II

Preliminary _____

Firm X

Date: February 16, 2022

Project: New construction of 63 affordable one- and two-bedroom apartments in East Greenwich of which 56 will be affordable and 7 units will be market rate.

Development Team:

	Name	Location (city/state)	Risk Rating (low/med/high)
Co-Developer	Pennrose, LLC	Philadelphia, PA	Low
Co-Developer	Cove Homes Incorporated	East Greenwich, RI	Low
Mortgagor	655 Frenchtown Rd 9 LLC/ 655 Frenchtown Rd 4 LLC	East Greenwich, RI	Low
Architect	Union Studio Architecture & Community Design, Inc.	Providence, RI	Low
General Contractor	Stand Corporation	Warwick, RI	Low
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	Pennrose Management Company	Philadelphia, PA	Low
Consultant (9%)	FJS Associates, Ltd.	Middletown, RI	Low
Syndicator	CREA, LLC	Boston, MA	Low

Executive Summary:

Frenchtown Road I (9%)

	Address	City
Property Address	655 Frenchtown Road	East Greenwich
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
RIH HOME Loan	\$1,336,164	AFR /42 Years
HTF Loan	\$1,781,552	0% /42 Years
RIRPF Loan	\$757,000	0%/42 Years
HPF Loan	\$1,428,060	3%/42 Years

Frenchtown Road II (4%)

	Address	City
Property Address	655 Frenchtown Road	East Greenwich
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax-Exempt Construction Loan	\$7,500,000	5%/3 Years
HPF Loan	\$483,440	3%/42 Years
RIRPF Loan	\$1,213,875	0%/42 Years

Note: Interest rates are subject to change based on market conditions and deal specifics. RIHousing is not currently designated as the permanent lender.

Proposed Sources & Uses:

Frenchtown Road I (9%)

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Cedar Rapids	\$2,130,000	\$64,545	\$340,415	\$2,470,415	\$74,861
RIH HOME Loan	\$1,336,164	\$40,490	\$0	\$1,336,164	\$40,490
Housing Trust Fund	\$1,781,552	\$53,986	\$0	\$1,781,552	\$53,986
Other/TBD	\$1,002,367	\$30,375	(\$1,002,367)	\$0	\$0
Building Homes Rhode Island		\$0	\$3,075,061	\$3,075,061	\$93,184
ARPA Production Fund		\$0	\$757,000	\$757,000	\$22,939
Housing Production Fund		\$0	\$1,428,060	\$1,428,060	\$43,275
LIHTC Proceeds	\$4,910,647	\$148,807	\$240,079	\$5,150,726	\$156,083
Workforce Housing Funds	\$703,200	\$21,309	(\$703,200)	\$0	\$0
Energy Rebates	\$0	\$0	\$14,078	\$14,078	\$427
Rebuild RI	\$593,169	\$17,975	(\$593,169)	\$0	\$0
Total Sources	\$12,457,099	\$377,488	\$3,555,956	\$16,013,055	\$485,244

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$9,021,467	\$273,378	\$2,458,082	\$11,479,549	\$347,865
Contingency	\$451,073	\$13,669	\$122,904	\$573,977	\$17,393
Acquisition	\$196,429	\$5,952	(\$6,903)	\$189,526	\$5,743
Soft Costs	\$1,181,366	\$35,799	\$803,749	\$1,985,115	\$60,155
Financing	\$143,627	\$4,352	\$618,165	\$761,792	\$23,085
Developer Fee	\$623,700	\$18,900	\$0	\$623,700	\$18,900
Operating Reserve	\$226,324	\$6,858	\$35,348	\$261,672	\$7,929
Lease Up Reserve	\$55,000	\$1,667	\$0	\$55,000	\$1,667
Replacement Reserve Year 1 Deposit	\$13,200	\$400	\$0	\$13,200	\$400
Other Reserves	\$544,913	\$16,513	(\$475,389)	\$69,524	\$2,107
Total Uses	\$12,457,099	\$377,488	\$3,555,956	\$16,013,055	\$485,244

Frenchtown Road I - \$545,682 LIHTC @ \$.944/credit

Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Financing for Frenchtown Road I & II

February 16, 2023

Frenchtown Road II (4%)

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Cedar Rapids	\$0	\$0	\$2,419,043	\$2,419,043	\$80,635
Other/TBD	\$7,266,657	\$242,222	(\$7,266,657)	\$0	\$0
ARPA Production Fund	\$0	\$0	\$1,213,875	\$1,213,875	\$40,463
Building Homes Rhode Island	\$0	\$0	\$3,136,381	\$3,136,381	\$104,546
Rebuild RI	\$396,831	\$13,228	(\$396,831)	\$0	\$0
Sponsor Loan	\$231,429	\$7,714	\$268,571	\$500,000	\$16,667
Housing Production Fund	\$0	\$0	\$483,440	\$483,440	\$16,115
LIHTC Proceeds	\$4,211,611	\$140,387	\$158,754	\$4,370,365	\$145,679
THUD	\$0	\$0	\$2,000,000	\$2,000,000	\$66,667
Energy Rebates	\$25,000	\$833	(\$14,078)	\$10,922	\$364
Total Sources	\$12,131,528	\$575,597	\$2,002,499	\$14,134,027	\$471,134

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$8,201,333	\$273,378	\$705,406	\$8,906,739	\$296,891
Contingency	\$410,067	\$13,669	\$391,540	\$801,607	\$26,720
Acquisition	\$178,571	\$5,952	(\$31,522)	\$147,049	\$4,902
Soft Costs	\$906,670	\$30,222	\$699,870	\$1,606,540	\$53,551
Financing	\$589,075	\$19,636	\$656,932	\$1,246,007	\$41,534
Developer Fee	\$1,019,643	\$33,988	\$47,357	\$1,067,000	\$35,567
Operating Reserve	\$156,781	\$5,226	\$61,349	\$218,130	\$7,271
Lease Up Reserve	\$617,625	\$20,588	(\$562,625)	\$55,000	\$1,833
Replacement Reserve Year 1 Deposit	\$12,000	\$400	\$0	\$12,000	\$400
Other Reserves	\$39,763	\$1,325	\$34,192	\$73,955	\$2,465
Total Uses	\$12,131,528	\$404,384	\$2,002,499	\$14,134,027	\$471,134

Frenchtown Road II - \$480,308 LIHTC @ \$.91/credit

Frenchtown Road I & II 9%/4% Combined

	9%		4%		Combined	
Sources	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Cedar Rapids	\$2,470,415	\$74,861	\$2,419,043	\$80,635	\$4,889,458	\$77,610
RIH HOME Loan	\$1,336,164	\$40,490	\$0	\$0	\$1,336,164	\$21,209
Housing Trust Fund	\$1,781,552	\$53,986	\$0	\$0	\$1,781,552	\$28,279
Housing Production Fund	\$1,428,060	\$43,275	\$483,440	\$16,115	\$1,911,500	\$30,341
RIRPF	\$757,000	\$22,939	\$1,213,875	\$40,463	\$1,970,875	\$31,284
Building Home Rhode Island	\$3,075,061	\$93,184	\$3,136,381	\$104,546	\$6,211,442	\$98,594
Sponsor Loan/Deferred Fee	\$0	\$0	\$500,000	\$16,667	\$500,000	\$7,937
LIHTC Proceeds	\$5,150,726	\$156,083	\$4,370,365	\$145,679	\$9,521,091	\$151,128
Energy Rebates	\$14,078	\$427	\$10,922	\$364	\$25,000	\$397
THUD	\$0	\$0	\$2,000,000	\$66,667	\$2,000,000	\$31,746
Total Sources	\$16,013,056	\$485,244	\$14,134,026	\$471,134	\$30,147,082	\$478,525
	9%		4%		Combined	
Uses	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Acquisition	\$189,526	\$5,743	\$147,049	\$4,901.63	\$336,575	\$5,342.46
Construction	\$11,479,549	\$347,865	\$8,906,739	\$296,891.30	\$20,386,288	\$323,591.87
Contingency	\$573,977	\$17,393	\$801,607	\$26,720.23	\$1,375,584	\$21,834.67
Soft Costs	\$1,985,115	\$60,155	\$1,606,540	\$53,551.33	\$3,591,655	\$57,010.40
Financing	\$761,792	\$23,085	\$1,246,007	\$41,533.57	\$2,007,799	\$31,869.83
Developer Fee	\$623,700	\$18,900	\$1,067,000	\$35,566.67	\$1,690,700	\$26,836.51
Operating Reserve	\$261,672	\$7,929	\$218,130	\$7,271.00	\$479,802	\$7,615.90
Lease Up Reserve	\$55,000	\$1,667	\$55,000	\$1,833.3	\$110,000	\$1,746.03
Replacement Reserve Year 1 Deposit	\$13,200	\$400	\$12,000	\$400.00	\$25,200	\$400.00
Other Reserves	\$69,525	\$2,107	\$73,954	\$2,465.13	\$143,479	\$2,277
Total Uses	\$16,013,056	\$485,244	\$14,134,026	\$471,134	\$30,147,082	\$478,525

Underwriting Metrics:**Frenchtown Road I (9%)**

Metric	Amount	Comment
Total Development Cost Per Unit	\$473,141	Net of Reserves
Residential Vacancy Rate		
Market Vacancy Rate	7.0%	
Affordable Vacancy Rate	5.0%	
DCR Year 1	1.20	
DCR Year 15	1.24	
NOI	\$215,663	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	20%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$261,672	Equal to 6 months operating & debt service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$13,200	Equal to \$400 per unit, exceeds RIHousing requirement

Frenchtown Road II (4%)

Metric	Amount	Comment
Total Development Cost Per Unit	\$459,165	Net of Reserves
Residential Vacancy Rate	5%	
DCR Year 1	1.20	
DCR Year 15	1.29	
NOI	\$196,051	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	20%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$218,130	Equal to 6 months operating & debt service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$12,000	Equal to \$400 per unit, exceeds RIHousing requirement

Deviations from standard underwriting – Yes

The cost per unit on both Frenchtown I & II have risen beyond the 2022 QAP cost per unit cap.

Approximately half of the cost increases can be attributed to increased financing costs, including higher interest expenses during construction; the other half are due to increased construction costs. The developer has done significant value engineering resulting in an overall construction cost increase of 15%. There is significant site work associated with the unavoidable extension of a sewer line. The contingency is 5%. Overall, the current combined TDC net of reserves is \$466,485 which exceeds the current cap of \$429,000 by \$37,485. Our construction team has evaluated the current proposed schedule of values and determined that the current pricing is consistent with pricing on other similar elevator-served buildings.

Loan to Value:

Frenchtown Road I (9%)

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	TBD based on revised appraisal			\$215,663	\$6,535
Appraisal Cap Rate	5.50%			5.50%	
Valuation	TBD	TBD		\$3,921,139	\$118,822
Loan Principal				\$2,470,415	\$74,861
LTV	TBD			63.00%	

Frenchtown Road II (4%)

	Appraisal	Per Unit	Variance	Current UW	Per Unit
OPERATING EXPENSES	TBD based on revised appraisal			\$272,885	\$9,096
NET OPERATING INCOME				\$196,051	\$6,535
Appraisal Cap Rate	5.50%			5.50%	
Valuation	TBD	TBD		\$3,564,571	\$118,819
Loan Principal				\$2,419,043	\$80,635
LTV	TBD			67.86%	

The appraisals did not contemplate the revised unit reconfigurations. The original LTV conclusions of the appraiser were 49% and 68%, well below 90% LTV. The senior lender has commissioned new appraisals and approval will be subject to the revised appraisals.

Unit Distribution and Revenue:

Rent Type	Bedrooms	# of Units			Gross Rent	Net Rent	LIHTC Max Rent
		9%	4%	Total			
30%	1		16	16	1710	1561	544
	2	8		8	2062	1868	653
50%	2	2		2	1181	987	1088
60%	1	6	6	12	1159	1010	1088
	1	2		2	1237	1088	1088
	2	4		4	1500	1306	1306
	2		8	8	1399	1205	1306
	2	4		4	1327	1133	1306
120%	2	7		7	2297	2103	N/A
	Total	33	30	63			

**ATTACHMENT B
FRENCHTOWN ROAD I**

**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,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”);
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island;
- Whereas,** staff for RIHousing has determined that a joint venture of Pennrose, LLC and Cove Homes Incorporated (the “Applicant”), is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** on April 21, 2022, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2022/2023 as well as preliminary approval of a HOME Investment Partnerships Program (“HOME”) Loan and a Housing Trust Fund (“HTF”) Loan for rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road I (the “Development”);
- Whereas,** on June 16, 2022, the RIHousing Board of Commissioners granted approval of a RI Rebounds Production Fund (“RIRPF”) Loan, subject to completion of project financing, for the Development;
- Whereas,** the Applicant has presented an application to RIHousing requesting financing to acquire and construct the Development as set forth below:

Applicant	Development	LIHTC	HOME Loan	HTF Loan	HPF Loan	RIRPF Loan
Pennrose, LLC and Cove Homes Incorporated	Frenchtown Road I	\$545,682	\$1,336,164	\$1,781,552	\$1,428,060	\$757,000

- 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 up to \$545,682 of allocated 2022/2023 LIHTC be reserved for the Applicant or an affiliated entity of the Applicant (the “Borrower”) 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 Director of Real Estate Development, each acting singly, are hereby empowered and directed 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, subject to the special conditions listed below, RIHousing hereby approves firm commitment of a HOME Loan to the Borrower in an amount not to exceed \$1,336,164 for rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of a HTF Loan to the Borrower in an amount not to exceed \$1,781,552 for rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of a RIRPF Loan to the Borrower in an amount not to exceed \$757,000 for rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a HPF loan to the Borrower in an amount not to exceed \$1,428,060 for the rental housing to be located in East Greenwich and known as Frenchtown Road I.

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

- Final appraisals and market studies acceptable to RIHousing, prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development phases and that sufficient demand exists for the proposed units;
- The simultaneous closing of Frenchtown Road I and Frenchtown Road II, including construction financing;
- Availability of construction and permanent financing from Cedar Rapids Bank & Trust or alternative lender acceptable to RIHousing in an amount sufficient to achieve project feasibility;
- Completion of the HUD Environmental Review and Subsidy Layering by East Greenwich Housing Authority for the Project Based Voucher contract;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval by RIHousing of all management-related issues, including the marketing and tenant selection plans;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant 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.

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

**ATTACHMENT C
FRENCHTOWN ROAD II**

**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 issue tax-exempt bonds for financing qualified housing developments throughout the state;
- Whereas,** said bonds shall have a term not to exceed three 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 also authorized to issue tax-exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** on April 21, 2022, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to Pennrose, LLC and Cove Homes Incorporated, as a joint venture (“Applicant”), to construct rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road II (the “Development”);
- Whereas,** on June 16, 2022, the RIHousing Board of Commissioners granted approval of a RI Rebounds Production Fund (“RIRPF”) Loan and a Housing Production Fund (“HPF”) Loan, subject to completion of the project financing, for the Development;
- Whereas,** the Applicant has presented an application to RIHousing requesting mortgage financing to acquire and construct the Development as set forth below:

Applicant	Development	Tax-Exempt Financing	HPF Loan	RIRPF Loan
Pennrose, LLC and Cove Homes Incorporated	Frenchtown Road II	\$7,500,000	\$483,440	\$1,213,875

Whereas, 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 RIHousing hereby grants firm approval of tax-exempt construction financing in an amount not to exceed \$7,500,000 to the Applicant or an affiliated entity of the Applicant (the “Borrower”) for rental housing known as Frenchtown Road II in East Greenwich, Rhode Island to be financed, in part, by tax-exempt bonds.

Resolved, that RIHousing hereby declares that this firm commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$7,500,000 in mortgage funds for demolition and new construction of the Development, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-

referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. The intent to reimburse the aforementioned bond-funded costs is intended to satisfy the requirements of Section 1.150-2 of the United States Treasury Regulations. This resolution shall take effect immediately upon adoption.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a HPF loan to the Borrower in an amount not to exceed \$483,440 for the rental housing to be located in East Greenwich and known as Frenchtown Road II.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a RIRPF loan to the Borrower in an amount not to exceed \$1,213,875 for rental housing to be located in East Greenwich and known as Frenchtown Road II.

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

- Final appraisals and market studies acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development phases and that sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- The simultaneous closing of Frenchtown Road I and Frenchtown Road II, including construction financing;
- Availability of permanent financing from Cedar Rapids Bank & Trust or another lender in amount sufficient to achieve project feasibility;
- Completion of the HUD Environmental Review and Subsidy Layering by East Greenwich Housing Authority for the Project Based Voucher contract;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval by RIHousing of all management-related issues, including the marketing and tenant selection plans;
- Approval by bond counsel of all required bond requirements;
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff; 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 the Director of Real Estate Development each acting singly, are hereby empowered and

directed to take any and all actions they deem necessary to carry out the foregoing resolutions.