

Request for Action
by
Board of Commissioners

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

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2022 and/or 2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$545,682 and preliminary approval of a permanent taxable loan of \$2,130,000, HOME Investment Partnerships Program (“HOME Program”) funds of \$1,336,164 and a Housing Trust Fund Loan (“HTF Loan”) of \$1,781,552 for Frenchtown Road I (“Frenchtown I”). This RFA is also seeking preliminary approval of tax-exempt construction financing of up to \$5,600,000 for Frenchtown Road II (“Frenchtown II”). Together, Frenchtown I and Frenchtown II (“Frenchtown I & II”) will produce 63 units of housing divided into two tranches with separate legal owners. The developer of Frenchtown I & II is a joint venture between Pennrose, LLC and Cove Homes Incorporated (the “Developer”).

Frenchtown I & II is a proposed mixed income development on a site that is currently vacant, located at 655 Frenchtown Road in East Greenwich. This application assumes that Frenchtown I, a 9% transaction with 33 two-bedroom apartments, and Frenchtown II, a 4% transaction with 30 one-bedroom apartments, will close simultaneously. The projects must be completed simultaneously because the 63 new units will be located in a single building. The four-story building will be elevator served and includes ample community/management space.

Frenchtown I & II will serve a range of incomes, including 16 units at 30% AMI, 28 units at 60% AMI, and 19 units at 100% AMI. The 30% AMI units will be subsidized with U.S. Department of Housing and Urban Section 811 vouchers providing supportive housing for persons with disabilities and project-based Section 8 vouchers.

The ground floor of the property features private offices for Cove Homes Incorporated staff and a wellness center for resident programming, as well as spaces for management and supportive services offices. Additional community spaces include a large gathering/event space with a kitchen and dining area and 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 renewable energy provided through community net metering.

The Funding Committee, which is comprised of senior staff and a member of the RI Housing Board of Commissioners, awarded the highest score to Frenchtown I in the 2022 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2022 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2022 and/or 2023 9% LIHTC in an amount not to exceed \$545,682 and preliminary approval of a permanent loan of \$2,130,000, HOME Program funds of \$1,336,164 and an HTF Loan of \$1,781,552 for Frenchtown I subject to certain conditions as set forth in the attached Resolution.

This RFA also requests preliminary approval of a tax-exempt construction loan not to exceed \$5,600,000 for Frenchtown II, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – FRENCHTOWN I & II

Preliminary X

Firm _____

Date: April 13, 2022

Project: New construction of 63 affordable one- and two-bedroom apartments in East Greenwich of which 44 will be affordable and 19 market rate.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Pennrose, LLC	Philadelphia, PA	Low
Co-Developer	Cove Homes Incorporated	East Greenwich, RI	Low
Mortgagor	TBD		
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	NA		
Syndicator	Hudson Housing Capital LLC	New York, NY	Low

Executive Summary – Frenchtown I

	Address	City
Property Address	655 Frenchtown Road	East Greenwich
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
9% LIHTC	\$545,682	NA
Permanent Loan	\$2,130,000	5% / 40 Years
HOME Loan	\$1,336,164	3% / 40 Years
HTF Loan	\$1,781,552	3% / 40 Years

Executive Summary – Summer Street II

	Address	City
Property Address	655 Frenchtown Road	East Greenwich
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan		
Construction/Bridge Loan	\$5,600,000	4% / 3 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:

Source	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
RIH First Mortgage	\$2,130,000	\$64,545	\$0	\$0	\$2,130,000	\$33,810
LIHTC Equity	\$4,910,647	\$148,807	\$4,211,601	\$140,387	\$9,122,248	\$144,798
RIH HOME	\$1,336,164	\$40,490		\$0	\$1,336,164	\$21,209
HTF	\$1,781,552	\$53,986		\$0	\$1,781,552	\$28,279
Workforce	\$703,200	\$21,309		\$0	\$703,200	\$11,162
Rebuild RI	\$593,169	\$17,975	\$396,831	\$13,228	\$990,000	\$15,714
BHRI/HPF/ARPA	\$1,002,367		\$7,266,666	\$242,222	\$8,269,033	\$131,254
Deferred/Incentive Dev Fee			\$231,429	\$7,714	\$231,429	\$3,673
Energy Rebates			\$25,000		\$25,000	\$397
Total Sources	\$12,457,099	\$347,113	\$12,131,528	\$403,551	\$24,588,627	\$390,296

Source	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Acquisition	\$196,429	\$5,952	\$178,571	\$5,952	\$375,000	\$5,952
Consturction	\$9,021,467	\$273,378	\$8,201,333	\$273,378	\$17,222,800	\$273,378
Contingency	\$451,073	\$13,669	\$410,067	\$13,669	\$861,140	\$13,669
Soft Costs	\$1,181,366	\$35,799	\$906,670	\$30,222	\$2,088,036	\$33,143
Financing	\$143,627	\$4,352	\$589,075	\$19,636	\$732,702	\$11,630
Developer Fee	\$623,700	\$18,900	\$1,019,643	\$33,988	\$1,643,343	\$26,085
Operating Reserve	\$226,324	\$6,858	\$156,781	\$5,226	\$383,105	\$6,081
Replacement Reserve	\$13,200	\$400	\$12,000	\$400	\$25,200	\$400
Other Reserves	\$599,913	\$18,179	\$657,387	\$21,913	\$1,257,300	\$19,957
Total Sources	\$12,457,099	\$377,488	\$12,131,528	\$404,384	\$24,588,627	\$390,296

Frenchtown I - \$545,682 LIHTC @ \$.90/credit
 Frenchtown II - \$467,956 LIHTC @ \$.90/credit

Underwriting Metrics: Frenchtown I

Metric	Amount	Comment
Total Development Cost Per Unit	\$377,488	
Residential Vacancy Rate		
Market Vacancy Rate	7.0%	
Affordable Vacancy Rate	5.0%	
DCR Yr 1	1.23	
DCR Yr 15	1.15	
NOI	\$152,043	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	27.8%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$224,605	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

Underwriting Metrics: Summer Street II

Metric	Amount	Comment
Total Development Cost Per Unit	\$404,384	When reserves are deducted, TDC is below cap.
Residential Vacancy Rate	5%	
DCR Yr 1 *	NA	Proforma does not currently support amortizing debt.
DCR Yr 15	NA	
NOI	\$33,055	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	27.8%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$144,554	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

Proforma submitted by Borrower included a Permanent Loan of \$486,564 with a reserve to pay debt service of \$297,619. Staff recommends eliminating both the reserve and the Permanent Loan to improve operations and will be further vetted prior to firm approval.

Deviations from standard underwriting – Yes

Frenchtown II does not meet the second portion of the Bridge Loan Test. The \$5,600,000 tax-exempt loan is the minimum required to meet the 50% Test required to generate the tax credits.

Unit Distribution and Revenue

Rent Type	Bedrooms	# of Units			Gross Rent	Net Rent	LIHTC Max Rent	% of Max
		9%	4%	Total				
30%	1		8	8	\$1,146	\$1,082	\$486	-136%
	2	8		8	\$955	\$800	\$584	-64%
60%	1		22	22	\$974	\$857	\$973	0%
	2	6		6	\$1,169	\$1,014	\$1,168	0%
100%	1							
	2	19		19	\$1,558	\$1,558	NA	NA
	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 Pennrose, LLC and Cove Homes Incorporated as a joint venture (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;

Whereas, the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2022 as follows:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage	HOME Program	Housing Trust Fund
Pennrose, LLC and Cove Homes Incorporated	Frenchtown Road I	\$545,682	\$2,130,000	\$1,336,164	\$1,781,552

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 and/or 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 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 preliminary commitment of up to \$2,130,000 for a taxable first mortgage loan to the Borrower for rental housing known as Frenchtown Road I to be located in East Greenwich, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of \$1,336,164 of HOME Program funds to the Borrower for rental housing known as Frenchtown Road I to be located in East Greenwich, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,781,552 of Housing Trust Funds to the Borrower for rental housing known as Frenchtown Road I to be located in East Greenwich, Rhode Island.

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;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval from the Town of East Greenwich verifying real estate tax assessment at no more than 8% of gross potential income;
- A taxable construction loan from an acceptable lender in an amount sufficient to achieve project feasibility;
- The simultaneous closing of Frenchtown Road I and Frenchtown Road II, including construction financing;
- 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 of the proposed operating budget for the development, including a detailed secondary budget outlining the provision of supportive services;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for approval are consistent with Borrower's application submission for 2022 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- The Borrower's registration with the Rhode Island Secretary of State to do business in the State of Rhode Island;
- 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 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.

**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, Pennrose, LLC and Cove Homes Incorporated (“Applicant”) have presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

Applicant	Development	Tax-Exempt Financing
Pennrose, LLC and Cove Homes Incorporated	Frenchtown Road II	\$5,600,000

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 approves preliminary commitment up to \$5,600,000 for a tax-exempt construction loan to Penrose, LLC and Cove Homes Incorporated or an affiliated entity (the “Borrower”) for rental housing to be located in East Greenwich, Rhode Island and known as Frenchtown Road II.

Resolved, that RIHousing hereby declares that this preliminary commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance up to \$5,600,000 in mortgage funds, 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. This resolution shall take effect immediately upon adoption

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;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;

- Approval from East Greenwich verifying real estate tax assessment at no more than 8% of gross potential income;
- The simultaneous closing of Frenchtown Road I and Frenchtown Road II, including construction financing;
- 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 of the proposed operating budget for the development, including a detailed secondary budget outlining the provision of supportive services;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for preliminary approval is consistent with Borrower's application submission for tax-exempt financing;
- The Borrower's registration with the Rhode Island Secretary of State to do business in the State of Rhode Island;
- 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 Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.