**Loan Approval Recommendation Summary – Lincoln Lofts**

**Preliminary: \_\_\_**

**Firm: \_X\_**

**Date: October 21, 2021**

**Project:** Lincoln Lofts is a recently completed historic mill conversion with 45 units of affordable housing. The unit configuration is 30 one-bedroom units and 15 two-bedroom units. Construction was completed in November 2020 and the property has been 100% occupied since February 2021. This request is to increase the RIHousing first mortgage to $1,000,000. The $300,000 increase is necessitated by increased development costs.

**Development Team**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Name** | **Location** | **Risk Rating** |
| **Sponsor/Developer** | Dakota Partners Inc. | Waltham, MA | Low |
| **Mortgagor** | LL Owner, LLC | Waltham, MA | Low |
| **Architect** | Ed Wojcik Architect, Ltd. | Providence, RI | Low |
| **General Contractor** | Dakota Partners Inc. | Waltham, MA | Low |
| **Legal** | Sheehan Phinney | Manchester, NH | Low |
| **Management Agent** | Maloney Properties, Inc. | Wellesley, MA | Low |
| **Consultant** | NA | NA | NA |
| **Syndicator** | Brookline Bank | Boston, MA | Low |

**Executive Summary**

|  |  |  |
| --- | --- | --- |
| **Property Address**  | 90 Industrial Circle | Lincoln, RI |
|  |
| **Proposed First Mortgage Loan Increase** |
| RIHousing 1st Mortgage | $1,000,000 | Rate: 5% Term: 40 years Repayment: Fully amortized repayment. |
| **Balance of Capital Stack – Fully Funded** |  |
| HOME Loan Program | $563,000 | Rate: 2.76% Term: 32 years Repayment: Deferred for 32 years. |
| HTF Loan Program | $562,000 | Rate: 2.76% Term: 32 years Repayment: Deferred for 32 years. |
| Lead Program Funds | $277,150 | Rate: 0% Term: 10 years Repayment: Deferred for 10 years |

**Changes since Firm Approval:**

* The final total development costs were $735,557 more than projected when this project commenced in June 2019. The increases in development costs were the result of design and scope changes required by the State Historic Preservation Office in order to comply with the requirements of the Federal Historic Tax Credit program, and increased costs associated with subpar and incomplete work by framing and masonry subcontractors. The LIHTC equity amount was reduced by $35,543 due to a downward adjuster for a late placed in service date.
* The financing gap created by the additional total development costs is being filled with additional federal historic tax credit equity, a loan of $277,150 from the RIHousing lead paint remediation loan program, over $100,000 in additional deferral of developer fee, and an increase of $300,000 the RIH first mortgage loan.

**Sources & Uses:**



**Loan to Value Test:**

 

**Underwriting Metrics:**

|  |  |  |
| --- | --- | --- |
| **Metric** | **Amount** | **Comment** |
| Total Development Cost Per Unit | $345,496 | As-complete TDC |
| Residential Vacancy Rate | 5% | Development is currently 100% occupied. |
| DCR Year 1 | 1.70 |  |
| DCR Year 15 | 1.17 | RIH requirement is DCR of 1.15 through year 15. |
| NOI | $98,160 | This is net of annual replacement reserve deposits. |
| Income Trending | 2% |  |
| Expense Trending | 3% |  |
| Loan to Appraised Value | 43.9% | RIH requirement is maximum of 90% LTV. |
| Initial Installment (%) of syndication proceeds | NA | LIHTC equity is fully funded. |
| Acquisition Price equal to or less than Appraised value | NA | NA |
| Operating Reserve (Amt and confirm consistency with UW requirements) | $218,141 | Personal guaranty from sponsor’s principals for $100K OPEX. |
| Replacement Reserve (Amt and confirm consistency with UW requirements) | $18,000 | Initial deposit is $400/unit – meets RIH UW requirements. |

**Deviations from standard underwriting:** None

**Unit Distribution and Revenue**



30% units are subsidized by project-based Section 811 rental assistance vouchers; underwriting is to the subsidized rents.