

**REQUEST FOR ACTION  
BY  
BOARD OF COMMISSIONERS**

*Authorization to Issue Tax-Exempt Loan to Support  
Construction of Lippitt Mill  
\$15,500,000*

**1. Summary of Issues**

As part of the process of financing the construction of Lippitt Mill in West Warwick, staff has requested the Board of Commissioners to approve the issuance by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) of a tax-exempt note not to exceed \$15,500,000. Lippitt Mill will provide 71 units of housing, of which 100% will be affordable to households with incomes at or below 60% of area median income. The developer, Marathon Development, LLC (“Marathon”), has formed a limited liability company, Lippitt Mill Restoration LLC (the “Borrower”), which will be the owner of the project and the recipient of the loan.

This Request for Action is for authorization to enter into a tax-exempt private placement back-to-back loan structure with JPMorgan Chase Bank, N.A. (“Chase”) to fund the loan for Lippitt Mill.

Chase will make a direct loan to RIHousing and RIHousing will issue a tax-exempt note to Chase evidencing the loan. RIHousing, in turn, will advance the loan proceeds to the Borrower under the agency’s tax-exempt bond volume cap that will otherwise go unused. The back-to-back loan proceeds will be deemed tax-exempt. RIHousing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility. Upon construction completion, Chase will also be the Permanent Loan funder. Because the loan is considered to be tax-exempt financing, the Development will be eligible to receive 4% low-income housing tax credits and generate approximately \$8 million in equity to fund development costs.

The loan will be non-recourse to RIHousing. RIHousing will only need to provide an assignment of its rights under the loan to Chase. The Borrower note and mortgage will also be assigned to Chase. During construction and post-conversion to the permanent loan, Chase will bear the financial risk.

This structure provides a number of advantages to the participants. The Borrower incurs reduced transaction fees and the closing process is expedited. Chase is able to record this transaction as a loan for purposes of its evaluation under the Community Reinvestment Act. RIHousing will receive a one-time origination fee of 1.0% of the principal amount of the loan, plus an annual issuer fee equal to 25 basis points of the outstanding loan, without having to service the loan to the Borrower or bearing any financial risk from the Borrower’s default. Marathon will pay all costs associated with the transaction.

Attachment B sets forth the terms of the loan agreement between RIHousing and Chase and Attachment C sets forth the terms of the loan agreement between RIHousing and the Borrower.

## **2. Recommendation**

RIHousing staff recommends approval of the attached resolutions authorizing a loan from Chase in an amount up to \$15,500,000 to finance a tax-exempt loan to the Borrower for the acquisition and rehabilitation of Lippitt Mill, and the execution of the loan agreements in substantially the form set forth in Attachments B and C.

## **3. Attachments**

- A. Authorizing Resolution
- B. Form of Funding Loan Agreement with Chase
- C. Form of Borrower Loan Agreement