

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Lippitt Mill (West Warwick)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$15,500,000 for Lippitt Mill (hereinafter referred to as the “Development”). Marathon Development, LLC is the developer (the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on April 17, 2025 (“Preliminary Approval”).

B. DISCUSSION

Lippitt Mill, originally built in 1809, is a historic mill located in West Warwick. The project aims to preserve the structure and revitalize the site by renovating the property into 71 new affordable housing units, which is an increase of three units from Preliminary Approval. All 71 units will be made available to households at or below 60% of area median income (“AMI”) and will include a unit mix of 15 efficiency, 33 one-bedroom, and 23 two-bedroom units.

Over the last 10 years, several developers have attempted to redevelop the project, which resulted in two receiverships and a building that is currently 65% complete. The Developer was a development consultant for the first developer and has historical knowledge of the project. The Developer acquired the project from the most recent receiver in the fall of 2024.

The construction cost since Preliminary Approval has increased by \$3,736,015. The cost increase is primarily driven by tariff escalation; however, since Preliminary Approval, it was also determined that the existing installed HVAC system needs to be removed and replaced, radon mitigation piping needs to be installed throughout building, and three additional units were added to the scope.

The site previously received allocations of federal historic tax credits and RebuildRI Tax Credits, all of which have been retained through the receivership. The Developer was also awarded State Low-Income Housing Tax Credits (“SLIHTC”), which are being redeemed at \$0.79 per credit. The syndicator for the Federal Low-Income Housing Tax Credits (“LIHTC”) and Federal Historic Tax Credits has changed since Preliminary Approval and the new syndicator, National Equity Fund, Inc., is paying \$0.85 per credit, which is an increase of \$0.05 per credit since Preliminary Approval.

This is a conduit transaction in which JPMorgan Chase Bank, N.A. (“Chase”) will provide the capital for RIHousing’s tax-exempt issuance. The proceeds will be loaned as a construction loan to the Borrower in the amount of \$15,500,000 (the “Construction Loan”). The funding for the Construction Loan is non-recourse to RIHousing, and Chase will be assuming all of the financial risk. RIHousing will charge a one-time issuer fee of 1% and an

annual servicing fee of 25 basis points on the construction and permanent loans.

Chase has provided term sheets and drafted the loan documents for the proposed loans. Once the rate is locked, the final size of the permanent loan will be determined. In any event, the size of the permanent loan will be limited to 85% loan-to-value (“LTV”) with debt service coverage of 1.20 and not less than 1.10X throughout the permanent period in proforma.

This RFA requests firm approval of an amount not to exceed \$15,500,000 in tax-exempt financing for Lippitt Mill, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary - Lippitt Mill

Preliminary _____

Firm X _____

Date: November 20, 2025

Project: Lippitt Mill is an adaptive re-use of an 1809 mill building into 71 new affordable housing units.

Development Team

| | Name | Location | Risk Rating |
|---------------------------|----------------------------------|------------------|--------------------|
| Sponsor/Developer | Marathon Development, LLC | Boston, MA | Low |
| Mortgagor | Lippitt Mill Restoration LLC | West Warwick, RI | Low |
| Architect | James Michael Abbott | Exeter, RI | Low |
| Legal | Chace Ruttenberg & Freedman, LLP | Providence, RI | Low |
| Management Agent | Appleton Corporation | Holyoke, MA | Low |
| General Contractor | Marathon Construction Inc. | Boston, MA | Low |
| Consultant | NA | | |
| Syndicator | National Equity Fund, Inc. | New York, NY | Low |

Executive Summary

| | | |
|--|-----------------|-------------------|
| Property Address | 825 Main Street | West Warwick, RI |
| Proposed Loan Amount(s) and Terms | | |
| | | |
| Tax Exempt Loan with Chase | \$15,500,000 | |
| Construction with Chase | \$15,500,000 | 5.86% / 24 months |
| Permanent Loan with Chase | \$4,285,000* | 5.760% / 35 years |

Note: Interest rates are subject to change based on market conditions.

*Estimated amount; the final amount of the Permanent Loan will be determined prior to Closing.

Proposed Sources and Uses:

| Sources | Preliminary | | Delta | Firm | |
|-----------------------------------|---------------------|----------------|-------------|---------------------|------------------|
| | Amount | Per Unit | | Amount | Per Unit |
| Chase Bank | \$0 | \$0.00 | 4,285,000 | \$4,285,000 | \$60,352 |
| RIH First Mortgage | \$4,240,000 | \$62,352.94 | (4,240,000) | \$0 | \$0 |
| LIHTC Proceeds | \$4,228,680 | \$62,186.47 | 3,746,109 | \$7,974,789 | \$112,321 |
| Fed. Historic Tax Credit Proceeds | \$1,529,949 | \$22,499.25 | 2,726,891 | \$4,256,840 | \$59,955 |
| State LIHTC | \$3,260,000 | \$47,941.18 | (127,650) | \$3,132,350 | \$44,118 |
| Deferred Development Fee | \$767,749 | \$11,290.43 | (267,520) | \$500,229 | \$7,045 |
| RI Rebuild | \$1,889,591 | \$27,788.10 | 281,761 | \$2,171,352 | \$30,582 |
| Sponsor Loan - ARPA Predev | \$250,000 | \$3,676.47 | 0 | \$250,000 | \$3,521 |
| Sponsor Loan - Insurance Credit | \$310,000 | \$4,558.82 | 0 | \$310,000 | \$4,366 |
| Total Sources | \$16,475,969 | 242,294 | 6,404,591 | \$22,880,560 | \$322,261 |

| Uses | Preliminary | | Delta | Firm | |
|------------------------------------|---------------------|------------------|-----------|---------------------|------------------|
| | Amount | Per Unit | | Amount | Per Unit |
| Construction | \$7,583,162 | \$111,517.09 | 3,736,015 | \$11,319,177 | \$159,425 |
| Contingency | \$758,316 | \$11,151.71 | 373,602 | \$1,131,918 | \$15,943 |
| Acquisition | \$3,720,000 | \$54,705.88 | 310,000 | \$4,030,000 | \$56,761 |
| Soft Costs | \$928,975 | \$13,661.40 | 568,262 | \$1,497,237 | \$21,088 |
| Financing | \$962,486 | \$14,154.21 | 944,438 | \$1,906,924 | \$26,858 |
| Developer Fee | \$2,001,350 | \$29,431.62 | 398,650 | \$2,400,000 | \$33,803 |
| Operating Reserve | \$439,379 | \$6,461.46 | 26,320 | \$465,699 | \$6,559 |
| Lease Up Reserve | \$0 | \$0.00 | 30,000 | \$30,000 | \$423 |
| Replacement Reserve Year 1 Deposit | \$22,100 | \$325.00 | 975 | \$23,075 | \$325 |
| Other Reserves | \$60,201 | \$885.31 | 16,329 | \$76,530 | \$1,078 |
| Total Uses | \$16,475,969 | \$242,294 | 6,404,591 | \$22,880,560 | \$322,261 |

* Preliminary Per Unit based on 68 Units

*Firm Per Unit based on 71 Units

Loan to Value Test:

| | Appraisal | Per Unit | Variance | Current UW | Per Unit |
|----------------------|-------------|----------|--------------|-------------|----------|
| NET OPERATING INCOME | \$389,288 | 5,483 | (46,493.20) | \$342,795 | \$4,828 |
| Appraisal Cap Rate | 6.33% | | | 6.33% | |
| Valuation | \$6,149,889 | \$86,618 | (734,489.66) | \$5,415,400 | \$76,273 |
| Loan Principal | \$4,285,000 | 60,352 | | \$4,285,000 | \$60,352 |
| LTV | 69.68% | | 9.45% | 79.13% | |

LTV is based off of Chase

Underwriting Metrics:

| Metric | Amount | Comment |
|-------------------------------------|-----------|------------------------------|
| Total Development Cost Per Unit | \$322,261 | \$315,702.26 Net of Reserves |
| Residential Affordable Vacancy Rate | 7.00% | |
| DCR Year 1 | 1.20 | |
| DCR Year 15 | 1.21 | |
| NOI | \$342,795 | |
| Rental Income Trending | 2.00% | |
| Operating Expense Trending | 3.00% | |

| | | |
|--|-------------|--|
| Loan to Value | 69.68% | |
| Initial Installment (%) of syndication proceeds | 15.00% | |
| Acquisition Price equal to or less than Appraised value | \$4,030,000 | Equal |
| Operating Reserve (Amt and confirm consistency with UW requirements) | \$465,699 | Equal to six months operating expenses and debt service. |
| Replacement Reserve (Amt and confirm consistency with UW requirements) | \$23,075 | \$325.00 per unit |

Deviations from standard underwriting:

Bridge Loan Test – N/A (Conduit Transaction)

Extraordinary Conditions Affecting Total Development Cost (“TDC”):

None

Unit Distribution and Revenue:

| Unit | Rent Type | Number of Units | Gross Rent | Gross Rent as a | | Discount from Market Rent |
|--------------|-----------|-----------------|-------------|-----------------|---------------------|---------------------------|
| | | | | LIHTC Max Rent | % of LIHTC Max Rent | |
| EFF | 60% | 15 | \$ 1,201.00 | \$ 1,201.00 | 0% | 8.4% |
| 1 | 60% | 33 | \$ 1,287.00 | \$ 1,287.00 | 0% | 30.8% |
| 2 | 60% | 15 | \$ 1,543.00 | \$ 1,543.00 | 0% | 38.4% |
| 2 | 60% | 8 | \$ 1,543.00 | \$ 1,543.00 | 0% | 38.4% |
| Total | | 71 | | | | 28.5% |

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 issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;
- Whereas,** RIHousing is authorized to issue conduit tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** on April 17, 2025, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt Bond financing to Marathon Development, LLC (“Applicant”) to acquire and/or rehabilitate the affordable housing to be known as Lippitt Mill (the “Development”);
- Whereas,** the Applicant is requesting firm approval of tax-exempt mortgage financing for the Development as set forth below:

| <u>Development</u> | <u>Applicant</u> | <u>Tax- Exempt Bonds</u> |
|--------------------|---------------------------|--------------------------|
| Lippitt Mill | Marathon Development, LLC | \$15,500,000 |

- Whereas,** said bonds shall have a term not to exceed 35 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; and
- Whereas,** the RIHousing Board of Commissioners and staff have reviewed the submission of the Applicant for Bond financing and determined that the Development qualifies for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that subject to the special conditions listed below, RIHousing hereby declares

firm commitment for tax-exempt mortgage financing for Marathon Development, LLC or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$15,500,000 for rental housing known as Lippitt Mill located in West Warwick, Rhode Island to be financed in part with 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 \$15,500,000 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. 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, in order to fund the loan to the Development, RIHousing may enter into a loan arrangement with JPMorgan Chase Bank, N.A. (the “Chase Loan”) substantially in accordance with the terms outlined in the Request for Action to which this resolution is attached.

Resolved, that the Executive Director, Deputy Executive Director, Director of Finance, General Counsel, and Manager of Treasury and Capital Planning (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with JPMorgan Chase Bank, N.A. as it may require to evidence the Chase Loan, including, without limitation, a funding loan agreement, note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners of RIHousing.

Resolved, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents, and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, each such determination pursuant to the immediately preceding clauses to be conclusively evidenced by the taking of such action by any

Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners.

- Resolved,** that the foregoing resolutions are subject to the following special conditions:
- Syndication equity from the allocation of federal Low-Income Housing Tax Credits (“LIHTC”) in an amount sufficient to achieve project feasibility;
 - Syndication equity from the allocation of Federal Historic Tax Credits, State Low-Income Housing Tax Credits, and Rebuild RI equity 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;
 - Final 955/Developer Tax Certificate along with final 50% bond test;
 - Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;
 - RIHousing approval of all JPMorgan Chase Bank, N.A. loan documents;
 - Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any other lender;
 - Approval by RIHousing of design and construction plans, specifications and construction documentation;
 - Approval by RIHousing of all management related documentation, 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.