

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Lippitt Mill (West Warwick)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in an amount not to exceed \$9,500,000, of which \$4,240,000 would remain as a permanent first mortgage, for Lippitt Mill (the “Development”). Marathon Development, LLC (the “Developer”) is the developer.

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 68 new affordable housing units. The project consists of rehabilitating the mill, where 65 units are located, and constructing a new 3-unit building. Utilizing Income Averaging, Lippitt Mill will have units ranging from efficiencies to two-bedrooms and income restrictions ranging from 30% to 80% of area median income (“AMI”).

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 site previously received allocations of federal and state historic credits and RebuildRI Tax Credits, all of which have been retained through the receivership. The Developer applied for tax-exempt bonds, 4% low-income housing tax credits (“LIHTC”), gap funding, and State low-income housing tax credits (“SLIHTC”) as part of RIHousing’s most recent consolidated funding round. The proposed syndicator is CREA, LLC, and they are paying \$0.80 per credit. The Developer will be required to rebid this project prior to firm commitment in an effort to increase the equity pricing.

The proposed capital stack contemplates the following sources: (i) the RIHousing first mortgage loan; (ii) LIHTC equity; (iii) Federal Historic Tax Credit equity; (iv) RebuildRI Tax Credit equity; (v) SLIHTC equity; (vi) an ARPA Predevelopment grant; (vii) a Seller’s Insurance Proceeds credit; and (viii) Deferred Developer Fee.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$9,500,000 in tax-exempt financing, of which \$4,240,000 would remain as a permanent first mortgage, for Lippitt Mill, subject to certain conditions as set forth therein.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Lippitt Mill

Preliminary **_____**

Firm _____

Date: April 17, 2025

Project: Lippitt Mill is an adaptive re-use of an 1809 mill building into 68 new affordable housing units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Marathon Development, LLC	Boston, MA	Low
Mortgagor	To be formed		
Architect	James Michael Abbott	Exeter, RI	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	Wingate Management Company, LLC	Newton, MA	Low
General Contractor	Marathon Construction Inc.	Boston, MA	Low
Consultant	NA		
Syndicator	CREA, LLC	Indianapolis, IN	Low

Executive Summary

Property Address	825 Main Street	West Warwick
Proposed Loan Amount(s) and Terms		
Tax Exempt Loan	\$9,500,000	
Construction/Bridge Loan	\$5,260,000	7.00% / 24 months
Permanent Loan	\$4,240,000	7.00% / 40 years

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$4,240,000	\$62,353
LIHTC Proceeds	\$4,228,680	\$62,186
Fed. Historic Tax Credit Proceeds	\$1,529,949	\$22,499
State LIHTC	\$3,260,000	\$47,941
Deferred Development Fee	\$767,749	\$11,290
ARPA Predev.	\$250,000	\$3,676
Seller's Credit	\$310,000	\$4,559
RebuildRI	\$1,889,591	\$27,788
Total Sources	\$16,475,969	\$242,294

Uses	Preliminary	
	Amount	Per Unit
Construction	\$7,583,162	\$111,517
Contingency	\$758,316	\$11,152
Acquisition	\$3,720,000	\$54,706
Soft Costs	\$928,975	\$13,661
Financing	\$962,486	\$14,154
Developer Fee	\$2,001,350	\$29,432
Operating Reserve	\$439,379	\$6,461
Replacement Reserve Year 1 Deposit	\$22,100	\$325
Other Reserves	\$60,201	\$885
Total Uses	\$16,475,969	\$242,294

Loan to Value Test: NA

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$242,294	\$234,710 net of Reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.17	
DCR Yr 15	1.26	
NOI	\$370,137	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be commissioned.
Initial Installment (%) of syndication proceeds	15%	

Acquisition Price equal to or less than Appraised value	TBD	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$439,379	Equal to six months operating expenses and debt service.
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$22,100	\$325 per unit

Deviations from standard underwriting – None, though the bond loan amount must be confirmed prior to firm commitment.

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	30%	8	\$ 590.00	\$ 590.00	0%	62.5%
EFF	50%	8	\$ 984.00	\$ 983.00	100%	32.1%
1	50%	3	\$ 1,053.00	\$ 1,054.00	100%	44.5%
1	60%	25	\$ 1,264.00	\$ 1,265.00	100%	31.9%
2	60%	12	\$ 1,517.00	\$ 1,518.00	100%	39.3%
1	80%	6	\$ 1,685.00	\$ 1,687.00	100%	6.8%
2	80%	6	\$ 2,023.00	\$ 2,024.00	100%	16.8%
Total		68				33.8%

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 financing qualified housing developments throughout the state;

Whereas, said bonds shall have a term not to exceed 40 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 first mortgage at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas, Marathon Development, LLC (“Applicant”) has presented an application to RIHousing requesting mortgage financing to rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>
Lippitt Mill	Marathon Development, LLC	\$9,500,000

Whereas, staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies; and

Whereas, RIHousing finds that:

(1) That there exists a shortage of decent, safe, and sanitary housing at rentals 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) That 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) That 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) That the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) That 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, 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 declares preliminary commitment for mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$9,500,000 for rental housing known as Lippitt Mill located in West Warwick, Rhode Island to be financed, in part, by tax-exempt bonds.

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, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$9,500,000 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 the foregoing resolutions are subject to the following conditions:

- Final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating support for the acquisition price and that the first mortgage loans do not exceed 90% of the as-is value of the Development and that sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;

- Approval of an allocation of State LIHTC and State LIHTC syndication 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;
- Draft 955/Developer Tax Certificate along with 50% bond test;
- Completion of a HUD Risk Share application by Developer;
- 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; and

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.