

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Lockwood Plaza Phase I (Providence)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$12,300,000, of which \$3,000,000 will remain as a permanent tax-exempt first mortgage; (ii) a Development of Affordable Housing 2 Program (“DAH-2”) Loan in an amount not to exceed \$4,010,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$990,000; and (iv) a Community Revitalization Program (“CRP”) Grant in an amount not to exceed \$680,000 for Lockwood Plaza Phase I (the “Development” or “Lockwood Plaza”). WinnCompanies LLC is the developer (“Winn” or the “Developer”). The Development received preliminary approval for financing from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

B. DISCUSSION

Lockwood Plaza is a 209-unit development in Providence that was built in 1979 and last renovated in 2011. It is located at and around 50 Prairie Avenue and consists of 108 townhouses in 17 garden-style townhouse buildings as well as a 101-unit high-rise building. This RFA for Phase I is for the townhouse units only as the high-rise component will be completed in a subsequent phase. The Phase I units cater to families and offer a combination of one-, two-, three-, and four-bedroom units restricted for households with incomes at or below 60% of area median income (“AMI”). With just eight years remaining in its current affordability term, the Developer seeks to extend the affordability term for another forty years. Approximately 88% of the units are supported by Section 8 housing choice vouchers (“HCV”) and provide homes for residents below 50% of AMI and often below 30% of AMI.

Many of the systems for the Phase I units are near the end of their useful life. The scope of the rehabilitation work includes interior upgrades, including upgrades to kitchens and baths in all units, upgrades to the heating/ventilation systems, plumbing and hot water systems, as well as ADA improvements. Exterior improvements include, but are not limited to, envelope upgrades including full window and gutter replacement, repointing the brick facades, as well as upgrades to the roads/walkways and additional site improvements.

Winn has partnered with RIHousing and Citizens Bank, N.A. (“Citizens Bank”) to create an Economic Mobility Program, which employs a full-time financial coach to help residents and families build financial capacity. Similar to the U.S. Department of Housing and Urban Development (“HUD”) Family Self-Sufficiency Program, with assistance from Citizens Bank, participating residents will receive escrow account deposits based on increases in their income and, subsequently, their rent. Citizens Bank has committed \$750,000 in Economic Opportunity Funds (“EOF”) to support this initiative.

Since Preliminary Approval, Winn has finalized their scope of work and construction pricing, secured their equity commitment, and finalized the refinance structure as it relates to the existing Lockwood financing.

Boston Financial Investment Management, LP (“BFIM”) will be the syndicator purchasing the 4% Low Income Housing Tax Credits (“LIHTCs”) and is paying \$0.98 per credit. Citizens Bank, which is BFIM’s upper-tier LIHTC investor, will provide an initial construction loan in an amount not to exceed \$7,700,000 (the “Construction Loan”). The Construction Loan will be paid off and replaced by RIHousing’s construction loan when the bonds are issued, which is expected at 50% completion.

Collectively, the capital stack for permanent financing is comprised of (i) a RIHousing first mortgage, (ii) a DAH-2 Loan, (iii) a CMF Loan, (iv) a CRP Grant, (v) a loan from the City of Providence, (vi) rollover debt from the Providence Housing Authority, (vii) a Seller Loan, (viii) syndication equity, (ix) income from operations, (x) a deferred developer fee and (xi) a grant from Citizens Bank.

This RFA requests firm approval of (i) \$12,300,000 in tax-exempt financing, of which \$3,000,000 will remain as permanent debt; (ii) a DAH-2 Loan of up to \$4,010,000; (iii) a CMF Loan of up to \$990,000; and (iv) a CRP Grant of up to \$680,000, 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 – Lockwood Plaza Phase I

Preliminary _____

Firm X

Date: April 18, 2024

Project: Lockwood Plaza Phase I is the moderate rehabilitation of 108 units in Providence.

Development Team

| | Name | Location | Risk Rating |
|---------------------------|--|-----------------|--------------------|
| Developer | WinnCompanies LLC | Boston, MA | Low |
| Mortgagor | Lockwood Plaza Phase One Limited Partnership | Boston, MA | Low |
| Architect | The Architectural Team, Inc. | Chelsea, MA | Low |
| General Contractor | STAND Corporation | Warwick, RI | Low |
| Legal | Robinson & Cole LLP | Boston, MA | Low |
| Management Agent | WinnResidential | Boston, MA | Low |
| Consultant | N/A | | |
| Syndicator | Boston Financial Investment Management, LP | Boston, MA | Low |

Executive Summary

| | | |
|--|---|-------------------|
| Property Address | Multiple properties centered around 50 Prairie Avenue | Providence |
| Proposed Loan Amount(s) and Terms | | |
| | | |
| Tax Exempt Loan | \$12,300,000 | |
| Construction/Bridge Loan | \$9,300,000 | 6.5%/3-year term |
| Permanent Loan | \$3,000,000 | 7%/40-year term |
| DAH-2 Loan | \$4,010,000 | 0% / 42-year term |
| CMF Loan | \$990,000 | 1% / 42-year term |
| CRP Grant | \$680,000 | N/A |

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

Proposed Sources & Uses:

| Sources | Preliminary | | Delta | Firm | |
|---------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | Amount | Per Unit | | Amount | Per Unit |
| RIH First Mortgage | \$3,000,000 | \$27,778 | \$0 | \$3,000,000 | \$27,778 |
| RIH Second Mortgage | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capital Magnet Fund | \$990,000 | \$9,167 | \$0 | \$990,000 | \$9,167 |
| ARPA Production Fund | \$4,010,000 | \$37,130 | \$0 | \$4,010,000 | \$37,130 |
| City of Providence | \$1,500,000 | \$13,889 | \$0 | \$1,500,000 | \$13,889 |
| Assumed Debt (Rollover) | \$2,148,439 | \$19,893 | \$0 | \$2,148,439 | \$19,893 |
| Seller Loan | \$0 | \$0 | \$1,103,333 | \$1,103,333 | \$10,216 |
| Community Revitalization | \$0 | \$0 | \$680,000 | \$680,000 | \$6,296 |
| General Partner Capital | \$1,187,516 | \$10,996 | (\$1,187,516) | \$0 | \$0 |
| LIHTC Proceeds | \$8,850,000 | \$81,944 | \$1,223,000 | \$10,073,000 | \$93,269 |
| NOI and Existing Reserves | \$450,000 | \$4,167 | \$0 | \$450,000 | \$4,167 |
| Deferred Development Fee | \$0 | \$0 | \$1,374,610 | \$1,374,610 | \$12,728 |
| Citizen's Bank EOF Funds | \$750,000 | \$6,944 | (\$375,000) | \$375,000 | \$3,472 |
| Total Sources | \$22,885,955 | \$211,907 | \$2,818,427 | \$25,704,382 | \$238,004 |

| Uses | Amount | | Delta | Per Unit | |
|------------------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | Amount | Per Unit | | Amount | Per Unit |
| Construction | \$7,466,214 | \$69,132 | \$1,468,142 | \$8,934,356 | \$82,726 |
| Contingency | \$746,621 | \$6,913 | \$96,815 | \$843,436 | \$7,810 |
| Acquisition | \$8,222,222 | \$76,132 | \$833,333 | \$9,055,555 | \$83,848 |
| Soft Costs | \$1,563,944 | \$14,481 | \$355,027 | \$1,918,971 | \$17,768 |
| Financing | \$1,110,079 | \$10,279 | \$128,960 | \$1,239,039 | \$11,473 |
| Developer Fee | \$2,076,384 | \$19,226 | \$317,108 | \$2,393,492 | \$22,162 |
| Operating Reserve | \$639,862 | \$5,925 | (\$20,181) | \$619,681 | \$5,738 |
| Lease Up Reserve | \$0 | \$0 | \$0 | \$0 | \$0 |
| Replacement Reserve Year 1 Deposit | \$216,000 | \$2,000 | \$0 | \$216,000 | \$2,000 |
| Other Reserves | \$844,630 | \$7,821 | (\$360,778) | \$483,852 | \$4,480 |
| Total Uses | \$22,885,956 | \$211,907 | \$2,818,426 | \$25,704,382 | \$238,004 |

Loan to Value Test:

| | Appraisal | Per Unit | Variance | Current UW | Per Unit |
|----------------------|-------------|----------|---------------|-------------|----------|
| NET OPERATING INCOME | \$436,899 | 4,045 | (\$82,613) | \$354,285 | \$3,280 |
| Appraisal Cap Rate | 6.00% | | | 6.00% | |
| Valuation | \$7,281,646 | 67,423 | (\$1,376,891) | \$5,904,755 | \$54,674 |
| Loan Principal | \$3,000,000 | 27,778 | | \$3,000,000 | \$27,778 |
| LTV | 41.20% | | 10% | 50.81% | |

Underwriting Metrics:

| Metric | Amount | Comment |
|--|-----------|--|
| Total Development Cost Per Unit | \$238,004 | |
| Residential Vacancy Rate | 7% | |
| DCR Yr 1 | 1.63 | |
| DCR Yr 15 | 1.39 | |
| NOI | \$354,285 | |
| Income Trending | 2% | |
| Expense Trending | 3% | |
| Loan to Value | 41.20% | |
| Initial Installment (%) of syndication proceeds | 15% | |
| Acquisition Price equal to or less than Appraised value | Yes | Confirmed via “as-is” appraisal |
| Operating Reserve (Amt and confirm consistency with UW requirements) | \$619,681 | Exceeds requirements |
| Replacement Reserve (Amt and confirm consistency with UW requirements) | \$216,000 | \$2,000 per unit capital deposit; \$350/unit/yr annual deposit |

Deviations from standard underwriting – Yes

Transaction fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions.

Unit Distribution and Revenue:

| Unit | Rent Type | Number of Units | Gross Rent | LIHTC Max Rent | Gross Rent as a % of LIHTC Max Rent | Discount from Market Rent |
|--------------|-----------|-----------------|-------------|----------------|-------------------------------------|---------------------------|
| 1 | 60% | 28 | \$ 1,069.00 | \$ 1,152.00 | 93% | 11.6% |
| 2 | 60% | 11 | \$ 1,300.00 | \$ 1,383.00 | 94% | 9.4% |
| 2 | 60% | 54 | \$ 1,271.00 | \$ 1,383.00 | 92% | 11.6% |
| 3 | 60% | 11 | \$ 1,482.00 | \$ 1,597.00 | 93% | 10.0% |
| 4 | 60% | 4 | \$ 1,653.00 | \$ 1,782.00 | 93% | 9.3% |
| Total | | 108 | | | | 11.1% |

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 May 18, 2023, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to WinnCompanies LLC (“Applicant”) to acquire and/or rehabilitate the affordable housing to be known as Lockwood Plaza Phase I (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> | <u>DAH-2</u> | <u>CMF</u> | <u>CRP</u> |
|------------------------|-------------------|-------------------------|--------------|------------|------------|
| Lockwood Plaza Phase I | WinnCompanies LLC | \$12,300,000 | \$4,010,000 | \$990,000 | \$680,000 |

- 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; and
- 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.

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 WinnCompanies

LLC or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$12,300,000 for rental housing known as Lockwood Plaza Phase I located in Providence, 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 \$12,300,000, 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 Citizens Bank, N.A. (the “Citizens Bank 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 Citizens Bank, N.A. as it may require to evidence the Citizens Bank 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, subject to the special conditions listed below, RIHousing hereby approves a Development of Affordable Housing 2 Program loan to the Borrower in an amount not to exceed \$4,010,000 for rental housing to be located in Providence, Rhode Island and known as Lockwood Plaza Phase I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Capital Magnet Fund loan to the Borrower in an amount not to exceed \$990,000 for the rental housing to be located in Providence, Rhode Island and known as Lockwood Plaza Phase I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves a Community Revitalization Program award to the Borrower in an amount not to exceed \$680,000 for rental housing to be located in Providence, Rhode Island and known as Lockwood Plaza Phase I.

Resolved, that the foregoing resolutions are subject to the following special conditions:

- Syndication equity from the allocation of LIHTC credits in amounts sufficient to achieve project feasibility;
- Approval of subordinate funding in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Approval of Citizens Bank Construction loan documents and simultaneous closing of the Citizens Bank loan;
- 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 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.