

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Lockwood Plaza Phase I

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 \$11,900,000, of which \$3,000,000 will remain as a permanent tax-exempt first mortgage, for Lockwood Plaza Phase I (the “Development”). WinnCompanies LLC is the developer (“Winn” or the “Developer”).

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 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 such as 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. 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.

The Developer submitted their proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2022. Originally submitted as one project, it was determined that the phased approach will allow for a more practical deployment of resources. The collective capital stack for the Development is anticipated to consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the sale of tax exempt 4% low-income housing tax credits (“LIHTC”), (iii) a Capital Magnet Fund (“CMF”) loan, (iv) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund)

funds, (v) a loan from the City of Providence, (vi) the rollover of existing debt from the Providence Housing Authority, (vii) cashflow from operations, (viii) Citizens Bank EOF funds, and (ix) a deferred developer fee.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$11,900,000 in tax-exempt financing, of which \$3,000,000 will remain as a permanent loan, for Lockwood Plaza Phase I, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Lockwood Plaza Phase I

Preliminary X

Firm

Date: May 18, 2023

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

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	WinnCompanies LLC	Boston, MA	Low
Mortgagor	Lockwood Plaza LLC	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	Boston, MA	Low

Executive Summary

	Address	City
Property Address	Multiple properties centered around 50 Prairie Avenue	Providence, RI
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$11,900,000	
Construction/Bridge Loan	\$8,900,000	6.5%/3 Years
Permanent Loan	\$3,000,000	6.75%/40 Years

Note: Interest rates are subject to change based on market conditions and deal specifics

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$3,000,000	\$27,778
Capital Magnet Fund	\$990,000	\$9,167
DAH 2	\$4,010,000	\$37,130
City of Providence Loan Funds	\$1,500,000	\$13,889
Assumed Debt (Rollover)	\$2,148,439	\$19,893
LIHTC Proceeds	\$8,850,000	\$81,944
General Partner Capital	\$1,187,516	\$10,996
NOI During Const. & Existing Res.	\$450,000	\$4,167
Citizens Bank EOF Funds	\$750,000	\$6,944
Total Sources	\$22,885,955	\$211,907

Uses	Preliminary	
	Amount	Per Unit
Construction	\$7,466,214	\$69,132
Contingency	\$746,621	\$6,913
Acquisition	\$8,222,222	\$76,132
Soft Costs	\$1,563,944	\$14,481
Financing	\$1,110,079	\$10,279
Developer Fee	\$2,076,384	\$19,226
Operating Reserve	\$639,862	\$5,925
Replacement Reserve Year 1 Deposit	\$216,000	\$2,000
Other Reserves	\$844,630	\$7,821
Total Uses	\$22,885,955	\$211,907

\$894,029 LIHTC @ \$0.99/credit

Note: Other Reserves includes \$750,000 for the Economic Opportunity Fund program for resident self-sufficiency.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$205,131	Net of capitalized reserves
Residential Vacancy Rate	6.00%	
DCR Yr 1	1.44	
DCR Yr 15	1.09*	
NOI	\$313,613	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	To Be Determined	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	To Be Determined	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$639,862	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$216,000	

Deviations from standard underwriting – Yes – the DCR drops to 1.09 in Year 15. Despite 88% of the residents receiving support from HCV, RIHousing is unable to underwrite to the HCV rents because the vouchers are not project -based. The HCV rents are generally higher than the 60% LIHTC rents. In addition, the developer is using a 6% vacancy when historical vacancies are less than 3% because there are so many residents with HCV. Once the appraisal and additional due diligence is completed, staff will review and modify as necessary.

The project fails “Test 2” of the Bridge Loan Test. The construction loan is sized at the minimum level required to meet the IRS requirement that 50% of the project be financed using tax-exempt bonds. The initial deposit of syndication will be no less than 15% of total equity.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
1	60%	28	\$ 1,069.00	\$ 1,088.00	98%	28.3%
2	60%	11	\$ 1,300.00	\$ 1,306.00	100%	23.7%
2	60%	54	\$ 1,271.00	\$ 1,306.00	97%	25.6%
3	60%	11	\$ 1,482.00	\$ 1,509.00	98%	21.6%
4	60%	4	\$ 1,653.00	\$ 1,683.00	98%	32.0%
Total		108				26.0%

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 financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** WinnCompanies LLC (“Applicant”) has presented an application to RIHousing requesting mortgage financing to rehabilitate the development as set forth below (the “Development”):

Development	Applicant	Tax-Exempt Financing
Lockwood Plaza Phase I	WinnCompanies LLC	\$11,900,000

- 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 tax-exempt mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$11,900,000 for rental housing known as Lockwood Plaza Phase I located in Providence, 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 \$11,900,000 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:

- Syndication equity from the allocation of LIHTC credits in amounts sufficient to achieve project feasibility;
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed

- 90% of the as-stabilized value of the property.
- Approval of subordinate funds 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;
 - 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.