

**Request for Action
by
Board of Commissioners**

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

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for revised firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$13,300,000, of which an amount up to \$3,000,000 will remain as a permanent tax-exempt first mortgage, 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”) and firm approval on April 18, 2024 (“Firm Approval”). While the other RIHousing financing outlined in the Firm Approval remains unchanged, this RFA recommends an increase in the tax-exempt financing from \$12,300,000 to \$13,300,000.

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 50% or 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 95% 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.

At Firm Approval, the bond approval amount met the requirements of the 50% Test; however, at the time of that award, the purchase price for the project was \$9,055,000, based on an appraisal commissioned by the Developer when structuring the transaction in 2023. A March 2024 appraisal commissioned by RIHousing to confirm that the acquisition price was supportable reflected an As-Is value for Phase I of \$13,100,000 primarily due to the increase in voucher rents. Tax counsel has determined that acquiring the Phase I parcel at a value that is materially lower than the appraised value raises potential income tax implications and invalidates the previous 50% Test. Therefore, the Developer has increased the purchase price and is requesting an increase in the bond amount. Increased LIHTC credits and a Seller Note will offset the increased purchase price, construction loan interest on the bonds, and increased soft costs.

This RFA requests revised firm approval of an amount not to exceed \$13,300,000 in tax-exempt financing, of which an amount up to \$3,000,000 will remain as permanent debt, 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: September 19, 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	\$13,300,000	
Construction/Bridge Loan	\$10,300,000	6.5%/3-year term
Permanent Loan	\$3,000,000	6.5%/40-year term
DAH-2 Loan	\$4,010,000	0% / 42-year term
CMF Loan	\$990,000	1% / 42-year term
CRP financing	\$680,000	0% / 42-year term if loan; N/A if grant

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

Proposed Sources & Uses:

Sources	Firm 4-18-24		Delta	Revised Firm 9-19-24	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,000,000	27,778	\$0	\$3,000,000	\$27,778
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 (PHA Rollover)	\$2,148,439	19,893	\$0	\$2,148,439	\$19,893
Seller Loan	\$1,103,333	10,216	\$3,225,467	\$4,328,800	\$40,081
Community Revitalization Loan	\$680,000	6,296	\$0	\$680,000	\$6,296
LIHTC Proceeds	\$10,066,241	93,206	\$643,759	\$10,710,000	\$99,167
NOI and Existing Reserves	\$450,000	4,167	\$0	\$450,000	\$4,167
Deferred Development Fee	\$1,381,369	12,790	\$21,160	\$1,402,529	\$12,986
Bond Proceeds Interest Earnings	\$0	0	\$165,104	\$165,104	\$1,529
Citizen's Bank EOF Funds	\$375,000	3,472	(\$40,000)	\$335,000	\$3,102
Total Sources	\$25,704,382	238,004	\$4,015,490	\$29,719,872	\$275,184

Uses	Amount		Delta	Amount	
	Amount	Per Unit		Amount	Per Unit
Construction	\$8,934,356	\$82,726	\$0	\$8,934,356	\$82,726
Contingency	\$843,436	\$7,810	\$50,000	\$893,436	\$8,273
Acquisition	\$9,055,555	\$83,848	\$3,319,445	\$12,375,000	\$114,583
Soft Costs	\$1,892,441	\$17,523	\$119,925	\$2,012,366	\$18,633
Financing	\$1,265,569	\$11,718	\$454,335	\$1,719,904	\$15,925
Developer Fee	\$2,393,492	\$22,162	\$0	\$2,393,492	\$22,162
Operating Reserve	\$619,681	\$5,738	\$101,902	\$721,583	\$6,681
Replacement Reserve Year 1 Deposit	\$216,000	\$2,000	\$0	\$216,000	\$2,000
RET, Insurance and EOF	\$483,852	\$4,480	(\$30,117)	\$453,735	\$4,201
Total Uses	\$25,704,382	\$238,004	\$4,015,490	\$29,719,872	\$275,184

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$714,910	6,620	(\$359,598)	\$355,312	\$3,290
Appraisal Cap Rate	6.00%			6.00%	
Valuation	\$11,900,000	110,185	(\$5,978,129)	\$5,921,871	\$54,832
Loan Principal	\$3,000,000	27,778		\$3,000,000	\$27,778
LTV	25.21%		25%	50.66%	

The variance in Net Operating Income between the appraisal and the RIHousing underwriting is primarily due to rental income being underwritten at a discount from maximum allowable rents.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$275,184	
Residential Vacancy Rate	5%	
DCR Yr 1	1.66	
DCR Yr 15	1.27	
NOI	\$355,312	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	25.21%	
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)	\$721,583	
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%	18	\$ 1,152.00	\$ 1,265.00	91%	22.0%
2	60%	9	\$ 1,405.00	\$ 1,518.00	93%	16.7%
2	60%	44	\$ 1,446.00	\$ 1,518.00	95%	14.1%
3	60%	11	\$ 1,578.00	\$ 1,753.00	90%	15.6%
4	60%	4	\$ 1,760.00	\$ 1,956.00	90%	26.6%
1	50%	10	\$ 1,054.00	\$ 1,054.00	0%	0.0%
2	50%	2	\$ 1,265.00	\$ 1,265.00	0%	0.0%
2	50%	10	\$ 1,265.00	\$ 1,265.00	0%	0.0%
Total		108				13.4%

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 18, 2024, the RIHousing Board of Commissioners granted firm 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 revised 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>
Lockwood Plaza Phase I	WinnCompanies LLC	\$13,300,000

- 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 \$13,300,000 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 \$13,300,000, 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. substantially in accordance with the terms outlined in the Request for Action and resolutions approved by the RIHousing Board of Commissioners on April 18, 2024.

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.