

Request for Action
by
Board of Commissioners
Approval of Middle Income Loan Program
Funding Awards

1. Summary of Issues

The Middle Income Loan Program (the “MI Program”) is funded with State and Local Fiscal Recovery Funds (“SFRF”) appropriated to the United States Department of Treasury (“Treasury”) through the American Rescue Plan Act of 2021 for the production of affordable housing for households with incomes between 80% and 120% of area median income (“AMI”). Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) was authorized by the State of Rhode Island to implement and administer the MI Program using approximately \$20,000,000 in funds for the new production of affordable housing for both rental and homeownership opportunities. As of February 2024, approximately \$13,800,000 in MI Program funds is available for award.

Deals reviewed for additional MI Program funding were originally proposed in January 2023 and received preliminary approval in May 2023. Generally speaking, these deals are experiencing gaps due to (i) increased construction pricing, (ii) lower syndication pricing, and (iii) higher interest rates. These deals generally have nearly final plans and specifications and should be able to move to closing quickly once the funding gaps are filled. While reviewing these deals for additional commitments, staff paid particular attention to the following factors: (i) the size of the gap for which the developer was seeking additional funding as compared to the overall transaction, which, for these deals, ranged from 10%-44%, (ii) deferred developer fees, (iii) any value engineering undertaken, and (iv) updated equity pricing to ensure an equitable review across all projects.

In November 2023, RIHousing issued a Request for Proposals (“RFP”) for MI Program funds from qualified applicants as part of a consolidated funding round. All applications are being reviewed by Development Division staff in accordance with the published Program Review Criteria. Those applications remain under review.

RIHousing staff recommends approval of funding for two proposals in the amount of \$682,538. The recommended awards are described in Attachment A and are contingent upon the applicants’ ability to close by July 31, 2024 or sooner, as outlined in Attachment A.

2. Recommendation

The attached resolution authorizing the allocation of up to \$682,538 in MI Program funds is recommended for approval, contingent upon (i) receipt of the MI Program funds from the State of Rhode Island; (ii) the availability of all other funding for the project; and (iii)

compliance with the MI Program guidelines.

3. Attachments

- A. Summary of Recommendations
- B. Resolution

Attachment A

Summary of Recommendations

Walker Lofts - The developer, Odin Properties, LLC, has proposed to re-construct a historical blighted mill complex in Lincoln known as Walker Lofts. The development will consist of 126 total units, of which 32 units (equal to 25% of the total units) will be affordable. Walker Lofts will provide 25 one-bedroom, 6 two-bedroom and 1 three-bedroom units, all restricted to households with incomes at or below 80% of AMI. The remaining units will be unrestricted. The property is located five minutes from the newly constructed Pawtucket/Central Falls Commuter Station.

Since May 2023, the developer has experienced rising construction material costs, prevailing wage requirements tied to State Historic Tax Credits, and higher financing costs related to higher rates. The overall total development cost reflects an increase of approximately \$10,540,000. Developer has requested \$5,876,831 in additional ancillary funds; however, only 25% of units in the development are affordable so staff has applied that percentage to the gap request, thereby reducing the request to \$1,470,000. Staff is recommending a \$530,000 MI Program award, which is contingent upon completion of standard underwriting and closing by July 31, 2024. Staff is recommending that the balance of the gap request be funded with DAH-2 funds, which is the subject of a separate Request for Action to be presented to the Board. The developer will need to secure funding for the remaining \$4,400,000 in connection with the market rate units from other non-RI Housing sources.

Sources	Consolidated Round 2023		Delta	Consolidated Round 2024	
	Amount	Per Unit		Amount	Per Unit
First Mortgage	\$21,750,000	172,619	\$1,000,000	\$22,750,000	\$180,556
Providence Revolving Fund	\$1,000,000	7,937	\$0	\$1,000,000	\$7,937
Community Revitalization	\$2,000,000	15,873	\$0	\$2,000,000	\$15,873
Middle Income Program	\$2,230,000	17,698	\$530,000	\$2,760,000	\$21,905
DAH-2	\$0	0	\$940,000	\$940,000	\$7,460
GP Equity	\$2,000,000	15,873	(\$2,000,000)	\$0	\$0
Developer Funding Gap (Market Units)	\$0	0	\$4,406,831	\$4,406,831	\$34,975
Fed. Historic Tax Credit Proceeds	\$5,479,855	43,491	\$1,572,014	\$7,051,869	\$55,967
General Partner Capital	\$2,000,000	15,873	\$1,000,000	\$3,000,000	\$23,810
State Historic TC Proceeds	\$2,975,000	23,611	\$0	\$2,975,000	\$23,611
Deferred Development Fee	\$2,209,145	17,533	\$594,855	\$2,804,000	\$22,254
RI Rebuild Credit	\$1,000,000	7,937	\$2,500,000	\$3,500,000	\$27,778
Total Sources	\$42,644,000	338,444	\$10,543,700	\$53,187,700	\$422,125
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$25,975,000	\$206,151	\$8,802,000	\$34,777,000	\$276,008
Contingency	\$2,597,500	\$20,615	\$880,200	\$3,477,700	\$27,601
Acquisition	\$3,300,000	\$26,190	(\$25,000)	\$3,275,000	\$25,992
Soft Costs	\$3,306,500	\$26,242	(\$1,231,500)	\$2,075,000	\$16,468
Financing	\$3,075,000	\$24,405	\$900,000	\$3,975,000	\$31,548
Developer Fee	\$4,390,000	\$34,841	\$1,218,000	\$5,608,000	\$44,508
Total Uses	\$42,644,000	\$338,444	\$10,543,700	\$53,187,700	\$422,125

Rosebrook Commons - Rosebrook Commons (the “Development”) is a proposed mixed income, mixed use development located at 1747 West Main Road, Middletown that will be developed in two phases. Phase I, the subject of this recommendation, consists of 64 residential units within two buildings as well as 23,000 square feet of ground floor commercial space. The unit sizes vary from one to three bedrooms. Of the 64 units, 51 will be LIHTC units and the remaining 13 units are designated as Middle Income Program units with rents up to 120% AMI. Of the 51 affordable units, 13 will be affordable to households with incomes below 30% of AMI and 38 will be affordable to households with incomes below 60% of AMI. The Developer was awarded HPF-ELI funds to provide operating support for the 30% AMI units. The commercial space will be financed separately through a condominium structure.

Since Preliminary Approval in May 2023, permanent debt interest rates have increased, and the Development has incurred a very significant increase in construction costs. The overall total development cost reflects an increase of approximately \$5,627,538. RIHousing staff is recommending an award of \$152,538 in MI funds to assist in covering this gap. This MI award is contingent upon completion of standard underwriting and closing by July 31, 2024. This MI award will bring the total MI Program funding for the Development to \$1,112,538. In addition to this MI award, and Priority Projects Fund funding from the Department of Housing currently under consideration, RIHousing is recommending that the gap also be funded with deferred development fee in the amount of \$562,000 as well as an additional DAH-2 award, which recommendation is the subject of a separate Request for Action to be presented to the Board.

Sources	Preliminary - Residential only		Delta	Firm - Residential & Commercial		
	Amount	Per Unit		Residential	Commercial	Per Unit - Residential
RIH First Mortgage	\$3,659,000	57,172	\$0	\$3,659,000	\$0	\$57,172
RIH Second Mortgage	\$0	0	\$0	\$0	\$3,978,619	\$0
RIH HOME Loan	\$1,000,000	15,625	\$0	\$1,000,000	\$0	\$15,625
DAH-2	\$6,000,000	93,750	\$2,456,500	\$8,456,500	\$0	\$132,133
Middle Income Program	\$960,000	15,000	\$152,538	\$1,112,538	\$0	\$17,383
Priority Projects Fund	\$0	0	\$2,456,500	\$2,456,500	\$0	\$38,383
LIHTC Proceeds	\$9,688,328	151,380	\$0	\$9,688,328	\$0	\$151,380
Other Equity	\$0	0	\$0	\$0	\$1,326,206	\$0
Deferred Development Fee	\$0	8,750	\$562,000	\$562,000	\$0	\$8,781
Total Sources	\$21,307,328	332,927	\$5,627,538	\$26,934,866	\$5,304,825	\$420,857
Uses	Amount	Per Unit	Delta	Residential	Commercial	Per Unit - Residential
Construction	\$14,872,841	\$232,388	\$5,142,559	\$20,015,400	\$4,773,255	\$312,741
Contingency	\$1,041,099	\$16,267	\$359,979	\$1,401,078	\$334,128	\$21,892
Acquisition	\$800,000	\$12,500	\$0	\$800,000	\$0	\$12,500
Soft Costs	\$1,450,639	\$22,666	\$125,000	\$1,575,639	\$197,442	\$24,619
Financing	\$1,284,434	\$20,069	\$0	\$1,284,434	\$0	\$20,069
Developer Fee	\$1,339,800	\$20,934	\$0	\$1,339,800	\$0	\$20,934
Operating Reserve	\$425,195	\$6,644	\$0	\$425,195	\$0	\$6,644
Replacement Reserve Year 1 Deposit	\$20,800	\$325	\$0	\$20,800	\$0	\$325
Other Reserves	\$72,520	\$1,133	\$0	\$72,520	\$0	\$1,133
Total Uses	\$21,307,328	\$332,927	\$5,627,538	\$26,934,866	\$5,304,825	\$420,857

Attachment B

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

WHEREAS, The State of Rhode Island has established the Middle Income Loan Program (the “MI Program”) using State and Local Fiscal Recovery Funds appropriated to the United States Department of Treasury under the American Rescue Plan Act of 2021 to provide funding for the development of new multifamily rental and homeownership units for households with incomes between 80% and 120% of Area Median Income;

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by the State of Rhode Island to administer the MI Program;

WHEREAS, the applicants listed in Attachment A have submitted applications that meet the threshold requirements of the MI Program; and

WHEREAS, RIHousing staff have reviewed the submissions and determined that the recommended proposals qualify for financing under RIHousing’s enabling legislation, regulations, guidelines and policies.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED, that RIHousing is authorized to commit up to \$682,538 in MI Program funds in compliance with the MI Program guidelines, subject to certain conditions and the receipt of other sources of funds, for the proposals reviewed by staff, as set forth in Attachment A; 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 resolution.