

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Financing for The Millrace District**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,117,210 of 2021 and/or 2022 Low-Income Housing Tax Credits (“LIHTC”), and for firm approval of: (i) a commitment of a HOME Investment Partnerships Program (“HOME Program”) loan of \$2,000,000, (ii) a Housing Trust Fund (“HTF”) loan of \$1,745,430, and (iii) a Capital Magnet Fund (“CMF”) loan of \$100,000 for The Millrace District (the “Development”), located in Woonsocket, Rhode Island. The Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley is the developer (“NWBRV” or the “Developer”). The Development received preliminary approval from the Board of Commissioners in May 2021 (“Preliminary Approval”).

The Development is proposed as a mixed-use and mixed-income development which entails the adaptive reuse of three historic mill buildings to create 70 units of affordable rental housing and 23,651 square feet of office, retail, and arts fabrication space. The apartments will be considered “live/work” units and be located on the upper building floors. The commercial space will occupy the ground floor of each of the three buildings. Of the 70 rental apartments, 11 will be affordable to households earning 30% of area median income (“AMI”), 31 will be affordable to households at or below 50% AMI, 13 will be targeted to households earning below 60% AMI, and the remaining 15 units will be affordable to households earning below 100% AMI and designated as workforce housing. There will be six efficiency units, 59 one-bedroom units, and five two-bedroom units. The 11 30% AMI units will be paired with 11 Section 811 project-based vouchers.

The Developer has secured an award from the Acquisition and Rehabilitation Program for the commercial space and Building Homes Rhode Island funds for a portion of the residential rehabilitation. NWBRV is also the recipient of an Affordable Housing Program (“AHP”) award from the Federal Home Loan Bank of Boston; Citizens Bank was the sponsor bank for this application. In addition to the \$650,000 AHP award, Citizens Bank will provide the construction loan and permanent loan. As a historic project listed on the National Registry, the Development is eligible to leverage equity from both federal historic tax credits (“FHTC”) and state historic tax credits (“SHTC”). The Development is in a Qualified Census Tract (“QCT”), allowing for a 30% basis boost to the qualified rehabilitation expenses, which will allow the project to generate additional equity.

Since Preliminary Approval, the Developer has initiated the environmental remediation, using U.S. Environmental Protection Agency funds, which will be completed prior to the closing. Due to industry wide construction cost increases, the overall construction budget has increased. In addition to escalating construction costs, the costs between the

components were reallocated with the guidance of tax counsel. Overall project costs increased \$3.85 million or 13.6% since preliminary approval. The additional costs are covered through additional LIHTC, FHTC and STHC equity, as well as awards from the RI Rebounds Production Fund, CMF, and Housing Production Fund.

This RFA requests firm approval of a reservation of an amount not to exceed \$1,117,210 of 2021 and/or 2022 LIHTC, and for the firm approval of: (i) a HOME Program loan of \$2,000,000, (ii) a HTF loan of \$1,745,430, and (iii) a Capital Magnet Fund loan of \$100,000 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 – The Millrace District

Preliminary _____

Firm X

Date: June 8, 2022

Project: Conversion of three vacant and environmentally contaminated mill buildings into a mixed-use project. There will be approximately 23,651 square feet of commercial space which will be master leased by an entity related to the Borrower. The upper three floors of each building will be comprised of 70 live/work rental units targeted to households at various sizes and income levels between 30% and 100% AMI.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	The Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley	Woonsocket, RI	Low
Mortgagor	The Millrace District, L.P.	Woonsocket, RI	Low
Architect	Ed Wojcik Architect Ltd.	Providence, RI	Low
General Contractor	Nation Wide Construction Corp.	Smithfield, RI	Low
Legal	Holland & Knight LLP	Cranston, RI	Low
Syndicator	National Equity Fund, Inc.	New York, NY	Low
Management Agent	Maloney Properties Inc.	Wellesley, MA	Low

Executive Summary

Property Address	15 Island Place 68 South Main Street	Woonsocket, RI
Proposed Loan Amount(s) and Terms		
Housing Trust Fund Loan	\$1,745,430	30-year term/AFR
HOME Loan	\$2,000,000	30-year term/AFR
Capital Magnet Fund Loan	\$100,000	30-year term/1%

Proposed Sources & Uses:

Sources	Preliminary			Firm	
	Commercial Amount	Residential Amount		Commercial Amount	Residential Amount
Citizens Bank FHLB		\$1,350,000		\$0	\$1,350,000
Building Homes Rhode Island	\$0	\$1,679,232		\$0	\$2,949,401
RIRPF	\$0	\$0		\$0	\$1,419,000
HPF	\$0	\$0		\$0	\$1,000,310
Capital Magnet Funds	\$0	\$0		\$0	\$100,000
LIHTC Proceeds	\$0	\$10,268,053		\$0	\$10,724,412
Fed. Historic Tax Credit Proceeds	\$3,335,052	\$588,538		\$1,046,569	\$3,682,614
State Historic TC Proceeds	\$2,951,781	\$1,360,719		\$3,483,533	\$828,966
AHP Direct Subsidy	\$0	\$650,000		\$0	\$650,000
RIH WFH/Deferred Loan	\$0	\$1,200,000		\$0	\$0
RI ARP	\$975,000	\$0		\$975,000	\$0
RIH HOME	\$0	\$1,600,000		\$0	\$2,000,000
RIH HTF		\$2,145,430		\$0	\$1,745,430
NWBRV/NWA	\$175,000	\$0		\$0	\$175,000
Total Sources	\$7,436,833	\$20,841,972		\$5,505,102	\$26,625,133

Uses	Preliminary			Firm	
	Commercial	Residential		Commercial	Residential
Construction	\$4,617,000	\$13,000,000		\$2,628,752	\$17,868,403
Contingency	\$369,360	\$1,040,000		\$262,875	\$1,786,840
Acquisition	\$1,058,136	\$2,104,765		\$987,999	\$2,174,901
Soft Costs	\$491,621	\$2,313,855		\$509,275	\$1,721,031
Financing	\$87,500	\$744,500		\$519,283	\$1,218,717
Developer Fee	\$698,216	\$1,200,202		\$501,918	\$1,396,500
Operating Reserve	\$50,000	\$288,000		\$50,000	\$261,000
Replacement Reserve Year 1 Deposit	\$20,000	\$41,650		\$20,000	\$41,650
Other Reserves	\$45,000	\$109,000		\$25,000	\$156,091
Total Uses	\$7,436,833	\$20,841,972		\$5,505,102	\$26,625,133

* LIHTIC credit pricing is \$.955 and historic credits are \$.90

The cost to construct the residential units increased from \$297,742 per unit to \$380,359. In addition to escalating construction costs, the costs between the components were reallocated with the guidance of tax counsel. Overall project costs increased \$3.85 million or 13.6% since preliminary approval.

Loan to Value Test:

Citizens Bank will be the construction and permanent lender on this transaction. Therefore, they are controlling the appraisal process. RIHousing will be provided with a copy when it is completed. This approval is subject to the appraisal.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$380,359	
Residential Vacancy Rate	7.0%	
DCR Yr 1	1.89	Proforma utilizes negative trending
DCR Yr 15	1.24	
NOI	\$137,289	Year 1
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	TBD	Subject to Citizens commissioned appraisal
Initial Installment (%) of syndication proceeds	24.1%	
Acquisition Price equal to or less than Appraised value	TBD	Subject to Citizens commissioned appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$261,00	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$41,650	\$595/unit; exceeds UW requirements of \$325

Deviations from standard underwriting – None

Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent
EFF	30%	6	\$ 761.00	\$ 456.00	167%
1	30%	5	\$ 815.00	\$ 489.00	167%
1	50%	32	\$ 761.00	\$ 761.00	0%
2	50%	1	\$ 978.00	\$ 978.00	0%
1	60%	12	\$ 978.00	\$ 978.00	0%
2	60%	1	\$ 1,174.00	\$ 1,174.00	0%
1	100%	12	\$ 1,250.00	\$ -	0%
2	100%	3	\$ 1,375.00	\$ -	0%

Note: The 30% units will have 811 Vouchers.

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,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”);
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island;
- Whereas,** staff for RIHousing has determined that NeighborWorks Blackstone River Valley (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** in May 2021, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2021 and/or 2022 (“LIHTC”), and preliminary approval of HOME and HTF loans;
- Whereas,** since preliminary approval the request for permanent financing from the Applicant listed below has been modified to the following:

Applicant	Development	9% LIHTC	HOME Loan	HTF Loan	CMF Loan
NeighborWorks Blackstone River Valley	The Millrace District	\$1,117,210	\$2,000,000	\$1,745,430	\$100,000

- 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; and
- Whereas,** RIHousing finds that:
- (1) there exists a shortage of decent, safe, and sanitary housing at rents 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) 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) 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) the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) 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, namely Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that up to \$1,117,210 of allocated 2022 LIHTC be reserved for the Applicant or an affiliated entity (the “Borrower”) pursuant to Section 4.4 of the Rules Relative to Multifamily Loan Programs - Allocation of Low-Income Housing Tax Credits (825-RICR-30-00-4) (the “RIHousing Regulations”), and that the Executive Director, Deputy Executive Director, and Director of Development, each acting singly, are hereby empowered and directed to take any and all actions necessary to cause such reservation to be effective; and further, that any final allocation shall be made at such time as the Borrower complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of \$2,000,000 for a HOME Investment Partnerships Program loan to the Borrower for rental housing to be located in Woonsocket, Rhode Island and known as The Millrace District.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of \$1,745,430 for a Housing Trust Fund loan to the Borrower for rental housing to be located in Woonsocket, Rhode Island and known as The Millrace District.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of \$100,000 for a Capital Magnet Fund loan to the Borrower for rental housing to be located in Woonsocket, Rhode Island and known as The Millrace District.

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

- Syndication equity from the allocation of LIHTC 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;
- Receipt of the Citizens appraisal prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and the as-is value is equal to or less than the acquisition price;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Availability of construction and permanent financing from Citizens Bank or another lender in amount sufficient to achieve project feasibility;
- Evidence from the municipality that 100% of the residential units will be taxed as affordable units in accordance with the state “8% Law”;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing; and
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

Resolved, that the Executive Director, Deputy Executive Director, and Director of Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.