

**Request for Action
by
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Preliminary Approval of Financing for Parcel 9 Phase II (Providence)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2024 and/or 2025 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,000,000 as well as preliminary approval for (i) a Development of Affordable Housing 2 Program (“DAH-2”) Loan in an amount not to exceed \$8,178,940; (ii) a HOME Investment Partnerships Program (“HOME”) Loan in an amount not to exceed \$1,000,000; (iii) a Housing Trust Fund (“HTF”) Loan in an amount not to exceed \$1,210,934; (iv) a Housing Production Fund (“HPF”) Loan in an amount not exceed \$2,286,306; and (v) an Acquisition and Revitalization Program (“ARP”) Loan in an amount not to exceed \$1,750,000 for Parcel 9 Phase II (the “Development” or “Phase II”), a 61-unit rental housing development in Providence, Rhode Island. The developer of Parcel 9 Phase II is Pennrose, LLC (the “Developer”).

Parcel 9 Phase II is a new construction, mixed-income development on a currently vacant parcel at the edge of the Fox Point neighborhood in Providence. Phase I is currently under construction and will create 66 units and a Head Start center. Phase II, which is the subject of this RFA, will complete the planned two-phase development. This infill parcel is part of a I-195 Redevelopment District, and redevelopment of the parcel will support the District Commission’s economic development goals for the former 195 Interstate land.

Phase II will create 61 new units, providing 13 units at 30% of area median income (“AMI”), two units at 50% of AMI, 21 units at 60% of AMI, 13 units at 100% of AMI, and 12 units that will exceed 120% of AMI. The Development includes a mix of bedroom sizes ranging from efficiency to three-bedroom units. To help subsidize the 30% AMI units, the Developer has applied for HPF-ELI assistance from RIHousing, which is intended to bridge the gap between a resident’s ability to pay 30% of their gross household income toward rent and the established 50% LIHTC rent. The Developer was also awarded eight project-based vouchers from the Providence Housing Authority. In addition, the Developer has partnered with Operation Stand Down to provide services for qualified veterans living at the Development.

The Developer’s application scored points for energy efficiency, and the Developer intends to follow the Zero Energy Homes Standard. The project will meet RNC Tier II and Energy Star 3.1 Version 8. The Developer is also proposing a solar photovoltaic system and community solar to cover common area electricity.

In addition to the resources being recommended in this RFA, the capital stack is anticipated to include ERA2 Development Financing funding, to be allocated to the Development by means of a subaward agreement between RIHousing and the State, a Priority Projects Fund

(“PPF”) award from the Department of Housing, a Building Homes Rhode Island award from the Rhode Island Housing Resources Commission, and a HOME award from the City of Providence. RIHousing is not currently projected to be the Senior Lender on this transaction; however, the Developer has received Letters of Intent from two separate banks.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2023. The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded Parcel 9 Phase II the third highest score in the 2024 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2024 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2024 and/or 2025 9% LIHTC in an amount not to exceed \$1,000,000 as well as preliminary approval for (i) a DAH-2 Loan in an amount not to exceed \$8,178,940; (ii) HOME funds in an amount not to exceed \$1,000,000; (iii) an HTF Loan in an amount not to exceed \$1,210,934; (iv) an HPF Loan in an amount not to exceed \$2,286,306; and (v) an ARP Loan in an amount not to exceed \$1,750,000 for Parcel 9 Phase II, subject to certain conditions as set forth in the attached Resolution.

B. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Parcel 9 Phase II

Preliminary X

Firm _____

Date: May 16, 2024

Project: New construction of 61 (36 affordable) apartments in Providence comprised of 5 efficiency, 23 one-bedroom, 24 two-bedroom, and 9 three-bedroom units.

Development Team

	Name	Location	Risk Rating (low/med/high)
Sponsor/Developer	Pennrose, LLC	Philadelphia, PA	Low
Mortgagor	Pennrose, LLC	Philadelphia, PA	Low
Architect	The Architectural Team, Inc.	Chelsea, MA	Low
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	Pennrose Management Company LLC	Philadelphia, PA	Low
General Contractor	Haynes Construction Company	Seymour, CT	Low
Syndicator	TBD		

Executive Summary

Property Address	55 George M. Cohan Blvd	Providence
Proposed Loan Amount(s) and Terms		
DAH-2 Loan	\$8,178,940	0%, 40 Years
HOME Loan	\$1,000,000	0%, 40 Years
HTF Loan	\$1,210,934	0%, 40 Years
HPF Loan	\$2,286,306	0%, 40 Years
ARP Loan	\$1,750,000	0%, 40 Years

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

Proposed Sources & Uses:

Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Preliminary Approval of Financing for Parcel 9 Phase II (Providence)

May 16, 2024

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$2,820,429	46,237
DAH-2	\$8,178,940	134,081
Priority Projects Fund	\$1,307,926	21,441
Building Homes Rhode Island	\$962,253	15,775
HOME	\$1,000,000	16,393
Housing Trust Fund	\$1,210,934	19,851
Housing Production Fund	\$2,286,306	37,480
Acquisition Revialization Program (ARP)	\$1,750,000	28,689
ERA2	\$1,700,000	27,869
LIHTC Proceeds	\$8,999,100	147,526
Deferred Development Fee	\$348,260	5,709
City HOME	\$400,000	6,557
Total Sources	\$30,964,148	507,609
Uses	Amount	Per Unit
Construction	\$22,874,866	\$374,998
Contingency	\$1,715,615	\$28,125
Acquisition	\$115,276	\$1,890
Soft Costs	\$2,761,713	\$45,274
Financing	\$1,063,500	\$17,434
Developer Fee	\$1,288,980	\$21,131
Operating Reserve	\$481,119	\$7,887
Lease Up Reserve	\$107,745	\$1,766
Replacement Reserve Year 1 Deposit	\$24,400	\$400
Other Reserves	\$530,934	\$8,704
Total Uses	\$30,964,148	\$507,609

\$1,000,000 LIHTC @ \$.90

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$507,609	\$488,852 less reserves
Residential Vacancy Rate	5% Affordable, 7% Market	
DCR Yr 1	1.30	
DCR Yr 15	1.15	
NOI	\$300,262	

Approval of Reservation of Low-Income Housing Tax Credits
(LIHTC) and Preliminary Approval of Financing for
Parcel 9 Phase II (Providence)

May 16, 2024

Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$481,119	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$24,400	\$400 per unit

Deviations from standard underwriting – None; however, RIHousing is not currently expected to be the senior lender.

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
EFF	30%	4	\$ 896.00	\$ 537.00	167%	0.0%
EFF	100%	1	\$ 1,805.50	\$ -	0%	0.0%
1	30%	1	\$ 960.00	\$ 576.00	167%	0.0%
1	30%	4	\$ 960.00	\$ 576.00	167%	0.0%
1	60%	4	\$ 1,144.00	\$ 1,152.00	99%	0.0%
1	100%	5	\$ 2,072.10	\$ -	0%	0.0%
1	100%	1	\$ 2,072.10	\$ -	0%	0.0%
1	Over 120%	8	\$ 2,445.60	\$ -	0%	0.0%
2	30%	4	\$ 1,152.00	\$ 691.00	167%	0.0%
2	50%	2	\$ 1,379.00	\$ 1,152.00	120%	0.0%
2	60%	2	\$ 1,379.00	\$ 1,383.00	100%	0.0%
2	60%	9	\$ 1,313.85	\$ 1,383.00	95%	0.0%
2	100%	5	\$ 2,353.50	\$ -	0%	0.0%
2	Over 120%	2	\$ 2,782.80	\$ -	0%	0.0%
3	60%	6	\$ 1,517.15	\$ 1,597.00	95%	0.0%
3	100%	1	\$ 2,385.00	\$ -	0%	0.0%
3	Over 120%	2	\$ 2,862.00	\$ -	0%	0.0%
Total		61				0.0%

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,** 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 Pennrose, LLC (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2024 and/or 2025 as follows:

Applicant	Development	9% LIHTC	HOME Loan	DAH-2 Loan
Pennrose, LLC	Parcel 9 Phase II	\$1,000,000	\$1,000,000	\$8,178,940

HPF Loan	ARP Loan	HTF Loan
\$2,286,306	\$1,750,000	\$1,210,934

- 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 \$1,000,000 of allocated 2024 and/or 2025 LIHTC be reserved for the Applicant or an affiliated entity of the Applicant (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 Real Estate 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 applicant complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$8,178,940 for a Development of Affordable Housing - 2 loan to the Borrower for rental housing known as Parcel 9 Phase II to be located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$2,286,306 for a Housing Production Fund loan to the Borrower for rental housing known as Parcel 9 Phase II to be located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,000,000 of HOME Investment Partnerships Program funding to the Borrower for rental housing known as Parcel 9 Phase II to be located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,210,934 of Housing Trust Fund funding to the Borrower for rental housing known as Parcel 9 Phase II to be located in Providence, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,750,000 of Acquisition and Revitalization Program funding to the Borrower for rental housing known as Parcel 9 Phase II to be located in Providence, Rhode Island.

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

- Final appraisals and market studies acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development phases and that sufficient demand exists for the proposed units;
- 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;
- Approval from the City of Providence verifying real estate tax assessment at no more than 8% of gross potential income;
- A taxable construction and permanent loan from lender acceptable to RIHousing in all respects in an amount sufficient to achieve project feasibility;
- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval of the proposed operating budget for the development;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for firm approval are consistent with Borrower's application submission for 2024 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant 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.