

**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 I & II**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2022 and/or 2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$515,987 and preliminary approval of HOME Investment Partnerships Program (“HOME Program”) funds of \$1,217,478 and Housing Trust Funds (“HTF”) of \$1,230,880 for Parcel 9 I (“Parcel 9 I”). This RFA is also seeking preliminary approval of tax-exempt construction financing not to exceed \$6,000,000 for Parcel 9 II (“Parcel 9 II”). Together, Parcel 9 I and Parcel 9 II will produce 66 units of housing divided into two tranches with separate legal owners. Pennrose, LLC is the developer of both tranches (the “Developer”).

Parcel 9 I & II is a new construction, mixed-use, mixed-income development on a currently vacant parcel at the edge of the Fox Point neighborhood in Providence. The Developer has a purchase option with the I-195 Redevelopment District for the property. The project is a “twinning” deal that will include both a 4% and a 9% LIHTC partnership. Parcel 9 I will provide 37 units and Parcel 9 II will provide 29 units

The Developer is proposing a 66-unit building for Parcel 9 I & II that will be condominiumized. Parcel 9 I will provide eight units at 30% AMI, six at 60% AMI, and 23 units at or above 120% AMI. 18 units will be one-bedroom and 19 units will be two-bedroom. Parcel 9 II will produce eight units at 30% AMI, 16 at 60% AMI, and five units at 120% AMI. Twelve units will be efficiency, and 17 units will be one-bedroom. Given that both tranches are in one building, the two proposals are being reviewed simultaneously. The Developer has received final plan approval from the I-195 Redevelopment District Commission, and the I-195 District staff have affirmed the proposed structuring and unit/affordability mix proposed in this financing application. The Developer has future plans to construct an additional 66 units on the east side of the Parcel 9 I & II lot.

The Developer has partnered with Children’s Friend and will construct a Head Start daycare facility, which will be on the first floor of the proposed building and will be the third condo in the condominium. Funding for the childcare facility will be separate from both the 9% and 4% transactions. Parcel 9 I has been awarded eight project-based vouchers through the Providence Housing Authority, and with their tax credit application(s), the developer is applying for eight U.S. Department of Housing and Urban Development 811 vouchers, four for each tranche, which will provide supportive housing for persons with disabilities.

The Developer’s application scored points for energy efficiency. The Developer intends to follow the Zero Energy Homes Standard for Parcel 9 I and the project will meet RNC Tier II and Energy Star 3.1 Version 8. The Developer is also proposing a solar photovoltaic system and remote net metering to cover common area electricity.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board

of Commissioners, awarded the second highest score to Parcel 9 I in the 2022 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2022 Qualified Allocation Plan (“QAP”).

This RFA requests approval of a reservation of 2022 and/or 2023 LIHTC in an amount not to exceed \$515,987, and preliminary approval of HOME Program funds of \$1,217,478, and a HTF loan of \$1,230,880 for Parcel 9 I subject to certain conditions as set forth in the attached Resolution.

This RFA also requests preliminary approval of tax-exempt financing in an amount not to exceed \$6,000,000 for Parcel 9 II subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution Parcel 9 I
- C.** Resolution Parcel 9 II

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Parcel 9 I&II

Preliminary X

Firm _____

Date: April 13, 2022

Project: New construction of 66 (38 affordable) apartments in Providence comprised of 12 efficiency, 35 one-bedroom and 19 two-bedroom units

Development Team

	Name	Location (city/state)	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
General Contractor	Haynes Construction Company	Seymour, CT	Medium (no previous RI experience)
Legal	Klein Hornig LLP	Boston, MA	Low
Management Agent	Pennrose Management Company	Philadelphia, PA	Low
Consultant	N/A		
Syndicator	Hudson Housing Capital LLC	New York, New York	Low

Executive Summary – Parcel 9 I

	Address	City
Property Address	55 George M. Cohan Blvd	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
HOME Loan	\$1,217,478	AFR, 50 Years
HTF Loan	\$1,230,880	AFR, 50 Years

Executive Summary – Parcel 9 II

	Address	City
Property Address	55 George M. Cohan Blvd	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan		
Construction/Bridge Loan	\$6,000,000	5%, 3 Years

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

Proposed Sources & Uses:

Sources	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
First Mortgage	\$ 5,270,000	\$ 142,432	\$ 1,708,517	\$ 58,914	\$ 6,978,516	\$ 105,735
RIH HOME Loan	\$ 1,217,478	\$ 32,905	\$ -	\$ -	\$ 1,217,478	\$ 18,447
Housing Trust Fund	\$ 1,230,880	\$ 33,267	\$ -	\$ -	\$ 1,230,880	\$ 18,650
LIHTC Proceeds	\$ 4,643,420	\$ 125,498	\$ 3,529,332	\$ 121,701	\$ 8,172,752	\$ 123,830
Workforce Funds	\$ 400,000	\$ 10,811	\$ -	\$ -	\$ 400,000	\$ 6,061
Rebuild RI	\$ 80,000	\$ 2,162	\$ -	\$ -	\$ 80,000	\$ 1,212
Deferred Fee	\$ 97,178	\$ 2,626	\$ 796,309	\$ 27,459	\$ 893,487	\$ 13,538
HPF/BHRI/RIRPF	\$ 328,945	\$ 8,890	\$ 4,760,141	\$ 164,143	\$ 5,089,086	\$ 77,107
Total Sources	\$ 13,267,901	\$ 358,592	\$ 10,794,298	\$ 372,217	\$ 24,062,198	\$ 364,579
Uses	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Construction	\$ 9,739,485	\$ 263,229	\$ 6,377,310	\$ 219,907	\$ 16,116,795	\$ 244,194
Contingency	\$ 486,974	\$ 13,161	\$ 510,185	\$ 17,593	\$ 997,159	\$ 15,108
Acquisition	\$ 200,396	\$ 5,416	\$ 131,217	\$ 4,525	\$ 331,613	\$ 5,024
Soft Costs	\$ 993,155	\$ 26,842	\$ 717,267	\$ 24,733	\$ 1,710,422	\$ 25,915
Financing	\$ 295,643	\$ 7,990	\$ 1,168,145	\$ 40,281	\$ 1,463,788	\$ 22,179
Developer Fee	\$ 699,300	\$ 18,900	\$ 1,344,794	\$ 46,372	\$ 2,044,094	\$ 30,971
Operating Reserve	\$ 324,542	\$ 8,771	\$ 170,289	\$ 5,872	\$ 494,831	\$ 7,497
Lease Up Reserve	\$ 373,402	\$ 10,092	\$ -	\$ -	\$ 373,402	\$ 5,658
Replacement Reserve Year 1 Depd	\$ 14,800	\$ 400	\$ 11,600	\$ 400	\$ 26,400	\$ 400
Other Reserves	\$ 140,204	\$ 3,789	\$ 363,491	\$ 12,534	\$ 503,695	\$ 7,632
Total Uses	\$ 13,267,901	\$ 358,592	\$ 10,794,298	\$ 372,217	\$ 24,062,199	\$ 364,579

Parcel 9 I - \$515,987 LIHTC @ \$.90/credit

Parcel 9 II - \$392,187 LIHTC @ \$.90/credit

Underwriting Metrics: Parcel 9 I

Metric	Amount	Comment
Total Development Cost Per Unit	\$358,592	\$335,539 without reserves
Residential Vacancy Rate	5%	7% for market vacancy
DCR Yr 1	1.22	
DCR Yr 15	1.13	Borrower has capitalized a Deficit reserve to carry it through year 15
NOI	\$372,678	
Income Trending	2%	

Expense Trending	3%	
Loan to Value	N/A	
Initial Installment (%) of syndication proceeds	25%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$324,542	Above six months of OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$14,800	\$400 per unit

Underwriting Metrics: Parcel 9 II

Metric	Amount	Comment
Total Development Cost Per Unit	\$372,217	\$353,411 without reserves
Residential Vacancy Rate	5%	7% for market vacancy
DCR Yr 1	1.22	
DCR Yr 15	0.27	Borrower has capitalized a Deficit reserve to carry it through year 15
NOI	\$104,497	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	25%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned
Operating Reserve (Amt and confirm consistency with UW requirements)	\$170,289	Equal to six months of OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$11,600	\$400 per unit

Deviations from standard underwriting –Yes

The underwriting for Parcel 9 I & II does not meet the requirement for a debt coverage ratio of 1.15 through 15 years. The developer is utilizing a deficit reserve to supplement the shortfall. The cost of the deficit reserve is more cost effective than reducing the proposed senior loan.

Parcel 9 II does not meet the second portion of the Bridge Loan Test. The \$6,000,000 tax-exempt loan is the minimum required to meet the 50% Bond Test required to generate the tax credits.

RIHousing is not currently designated as the permanent lender on either Parcel I or II.

Unit Distribution and Revenue

Rent Type	Bedrooms	Bathrooms	9%	4%	Total	Gross Rent 9%	Gross Rent 4%	LIHTC Max Rent	Gross Rent as a % of Max 9%	Gross Rent as a % of Max 4%
30%	EFF	1	0	4	4	-	913	454	0%	201%
	1	1	4	4	8	1,026	1,091	486	211%	224%
	2	2	4	0	4	1,310	-	584	224%	0%
60%	EFF	1	0	6	6	-	909	909	0%	0%
	1	1	3	10	13	973	973	973	0%	0%
	2	1	2	0	2	1,168	-	1,168	0%	0%
	2	2	1	0	1	1,168	-	1,168	0%	0%
120%	EFF	1	0	2	2	-	1,836	-	0%	0%
	1	1	1	3	4	1,817	1,868	-	0%	0%
	2	1.5	8	0	8	2,255	-	-	0%	0%
	2	2	1	0	1	2,255	-	-	0%	0%
>120%	1	1	10	0	10	2,017	-	-	0%	0%
	2	1	2	0	2	2,355	-	-	0%	0%
	2	2	1	0	1	2,492	-	-	0%	0%
Total			37	29	66					

Attachment B
Parcel 9 I

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 2022 as follows:

Applicant	Development	9% LIHTC	HOME Program	HTF
Penrose, LLC	Parcel 9 I	\$515,987	\$1,217,478	\$1,230,880

- 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 \$515,987 of allocated 2022 and/or 2023 Tax Credits 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 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 \$1,217,478 of HOME Program funds to the Borrower for rental housing to be located in Providence, Rhode Island and known as Parcel 9 I.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of \$1,230,880 of HTF funds to the Borrower for rental housing to be located in Providence, Rhode Island and known as Parcel 9 I.

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;
- 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;
- 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 Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;
 - Approval of a Tax Stabilization Agreement with the City of Providence;
 - Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for preliminary approval is consistent with Borrower's application submission for 2022 LIHTC;
 - Satisfactory and timely performance in accordance with the schedule established by RIHousing staff;
 - Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
 - The Borrower's registration with the Rhode Island Secretary of State to do business in the State of Rhode Island;
 - The simultaneous closing of Parcel 9 I and Parcel 9 II, including construction financing; 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.

Attachment C
Parcel 9 II

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 3 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 bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;

Whereas, Pennrose, LLC (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Mortgage</u>
Parcel 9 II	Pennrose, LLC	\$6,000,000

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 (the “Borrower”) in an amount not to exceed \$6,000,000 for rental housing known as Parcel 9 II 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 up to \$6,000,000 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. 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 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;
- 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.

- 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 Borrower of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval of a Tax Stabilization Agreement with the City of Providence;
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- The Borrower's registration with the Rhode Island Secretary of State to do business in the State of Rhode Island;
- The simultaneous closing of Parcel 9 I and Parcel 9 II, including construction financing; 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 the 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.