

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Potters Tigray Apartments (Providence)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of: (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt construction loan in an amount not to exceed \$8,700,000; (ii) a taxable permanent loan in an amount not to exceed \$475,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$250,000; (iv) a Development of Affordable Housing – 2 (“DAH-2”) Loan in an amount not to exceed \$4,550,000; and (v) a Community Revitalization Program (“CRP”) Grant in an amount not to exceed \$2,000,000 for Potters Tigray Apartments (hereinafter referred to as the “Development”). S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

This 57-unit development is comprised of two separate components located on scattered sites in South Providence. One component of the Development, known as Potters Avenue, is an existing post-year-15 LIHTC project in need of some capital improvements. There are 37 existing units in 16 buildings that range in size from one to four bedrooms. These units are slated to undergo a moderate rehabilitation of \$3,540,000, or \$96,000 per unit. The Developer also owns multiple vacant sites located in South Providence on which they intend to construct an additional 20 apartments in 11 buildings. The 20 new units will range in size from one to three bedrooms and are proposed to serve tenants earning between 30% and 60% of area median income (“AMI”).

Together, the two components will be a single economic unit known as Potters Tigray Apartments. The “Tigray” in the Development’s name is in honor of Asata Tigray, a housing advocate who has worked in this neighborhood for decades. The collective capital stack for the Development is anticipated to consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the tax-exempt financing and sale of 4% low-income housing tax credits (“LIHTC”), (iii) the CMF Loan, (iv) DAH-2 Loan, (v) the CRP Grant, (vi) existing replacement and operating reserves from Potters Avenue, (vii) rollover of existing soft debt on the Potters Avenue properties, and (viii) Providence Redevelopment Agency funds.

As part of the approval process, staff has determined that the Development and sponsor meet RIHousing’s requirements for rollover of existing debt:

- Current on first mortgage or in compliance with forbearance agreement;
- No outstanding monitoring findings and no history of significant monitoring findings;
- Demonstrated, responsible long-term ownership and management of the property;

- An equity pay-in schedule satisfactory to RIHousing;
- Maximization of amortizing debt able to be supported by the property; and
- Borrower-provided guarantees to cover any deficit shortfalls.

Since Preliminary approval, there have been several significant changes. The Developer substituted three parcels on scattered sites for three other lots more proximate to the Development. Total development costs have been reduced, primarily due to an approximately \$2,000,000 reduction in the acquisition costs based on an as-is appraisal with a corresponding reduction in soft debt rollover. In addition, the final equity yield was lower than originally expected. Finally, the Developer received an award from the Providence Redevelopment Agency in the amount of \$700,000.

National Equity Fund, Inc. (“NEF”) will be the syndicator purchasing the 4% LIHTC and is paying \$0.92 per credit, which constitutes a decrease of \$317,370 total LIHTC proceeds since Preliminary Approval. Webster Bank, which is NEF’s upper-tier LIHTC investor, will provide an initial construction loan in an amount not to exceed \$8,000,000 (the “Webster Bank Construction Loan”). The Webster Bank Construction Loan will be paid off and replaced by RIHousing’s construction loan when the bonds are issued, which is expected at 50% completion.

This RFA requests firm approval of (i) a tax-exempt construction loan in an amount not to exceed \$8,700,000; (ii) a taxable permanent loan in an amount not to exceed \$475,000; (iii) a CMF Loan in the amount of \$250,000; (iv) a DAH-2 Loan in the amount of \$4,550,000; and (v) a CRP Grant in the amount of \$2,000,000 for Potters Tigray Apartments, subject to certain conditions as set forth in the attached Resolutions.

B. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

Attachment A

Credit Summary

Approval Loan Recommendation Summary – Potters Tigrai Apartments

Preliminary _____

Firm X

Date: February 15, 2024

Project: The new construction of 20 units and the preservation of 37 units located in South Providence.

Development Team:

	Name	Location	Risk Rating
Sponsor/Developer	S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY)	Providence, RI	Low
Mortgagor	Potters-Tigrai LP	Providence, RI	Low
Architect	David Presbrey Architects, A Corporation	Providence, RI	Low
Legal	Chace Ruttenberg & Freedman LLP	Providence, RI	Low
Management Agent	SWAP Community Land Trust, Inc.	Providence, RI	Medium
General Contractor	Stand Corporation	Warwick, RI	Low
Consultant	Barbara Sokoloff Associates, Inc.	Providence, RI	Low
Syndicator	National Equity Fund, Inc.	New York, NY	Low

Executive Summary:

Property Address	Scattered Sites	Providence
Proposed Loan Amount(s) and Terms		
Tax-Exempt Construction Loan	\$8,700,000	6.875% / 24 months
Taxable Permanent Loan	\$475,000	7.875% / 30 years

DAH-2 Loan	\$4,550,000	0% / 32 years
CMF Loan	\$250,000	0% / 32 years
CRP Grant	\$2,000,000	N/A

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

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$500,000	8,772	(\$25,000)	\$475,000	\$8,333
Assumed Debt (Rollover)	\$3,530,058	61,931	(\$2,022,398)	\$1,507,660	\$26,450
DAH-2	\$4,550,000	79,825	\$0	\$4,550,000	\$79,825
Community Revitalization	\$2,000,000	35,088	\$0	\$2,000,000	\$35,088
Capital Magnet Fund	\$250,000	4,386	\$0	\$250,000	\$4,386
LIHTC Proceeds	\$6,699,241	117,531	(\$317,370)	\$6,381,871	\$111,963
Existing Replacement Reserves	\$175,000	3,070	\$0	\$175,000	\$3,070
PRA Funds	\$0	0	\$700,000	\$700,000	\$12,281
Total Sources	\$17,851,299	313,181	(\$1,811,768)	\$16,039,531	\$281,395
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$8,213,738	\$144,101	(\$35,000)	\$8,178,738	\$143,487
Contingency	\$571,637	\$10,029	(\$1,750)	\$569,887	\$9,998
Acquisition	\$4,941,518	\$86,693	(\$2,007,130)	\$2,934,388	\$51,480
Soft Costs	\$1,242,237	\$21,794	\$75,251	\$1,317,488	\$23,114
Financing	\$1,366,464	\$23,973	\$150,411	\$1,516,875	\$26,612
Developer Fee	\$1,114,139	\$19,546	(\$9,797)	\$1,104,342	\$19,374
Operating Reserve	\$279,161	\$4,898	\$14,931	\$294,092	\$5,160
Replacement Reserve Year 1 Deposit	\$80,500	\$1,412	\$0	\$80,500	\$1,412
Other Reserves	\$41,905	\$735	\$1,316	\$43,221	\$758
Total Uses	\$17,851,299	\$313,181	(\$1,811,768)	\$16,039,531	\$281,395

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$301,473	5,289	(\$199,005)	\$102,468	\$1,798
Appraisal Cap Rate	6.20%			6.20%	
Valuation	\$4,860,000	85,263	(\$3,207,291)	\$1,652,709	\$28,995
Loan Principal	\$475,000	8,333		\$475,000	\$8,333
LTV	9.77%		19%	28.74%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$281,395	\$274,065 without reserves
Residential Vacancy Rate	7%	
DCR Yr 1	2.48	
DCR Yr 15	1.16	
NOI	\$102,468	
Income Trending	2%	

Expense Trending	3%	
Loan to Value	9.77%	
Initial Installment (%) of syndication proceeds	19.6%	
Acquisition Price equal to or less than Appraised value	Yes	Confirmed via “as-is” appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$294,092	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$80,500	\$325 per unit

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
2	30%	2	\$ 1,215.00	\$ 691.00	176%	36.9%
2	60%	11	\$ 1,162.00	\$ 1,383.00	84%	40.3%
3	30%	5	\$ 1,357.00	\$ 798.00	170%	41.3%
3	60%	18	\$ 1,193.00	\$ 1,597.00	75%	50.0%
4	60%	1	\$ 1,253.00	\$ 1,782.00	70%	60.9%
1	30%	1	\$ 960.00	\$ 576.00	167%	44.9%
2	30%	4	\$ 1,152.00	\$ 691.00	167%	40.9%
2	60%	2	\$ 1,315.00	\$ 1,383.00	95%	30.6%
3	60%	13	\$ 1,467.00	\$ 1,597.00	92%	35.4%
Total		57				42.4%

Property Addresses:

New Production	332-338 Thurbers Avenue	Providence
New Production	12-16 Meni Court	Providence
New Production	9 Husted Court	Providence
New Production	257 Public Street	Providence
New Production	270 Rhodes Street	Providence
New Production	120 Providence Street	Providence
New Production	27 Emmett Street	Providence
New Production	328-330 Thurbers Avenue	Providence
New Production	340-342 Thurbers Avenue	Providence
New Production	32 Nebraska Street	Providence

Potters Avenue	29 Milk Street	Providence
Potters Avenue	30 Ocean Street	Providence
Potters Avenue	34 Ocean Street	Providence
Potters Avenue	40 Ocean Street	Providence
Potters Avenue	321 Plain Street	Providence
Potters Avenue	327 Plain Street	Providence
Potters Avenue	331 Plain Street	Providence
Potters Avenue	337 Plain Street	Providence
Potters Avenue	82 Potters Avenue	Providence
Potters Avenue	101 Potters Avenue	Providence
Potters Avenue	109 Potters Avenue	Providence
Potters Avenue	306 Public Street	Providence
Potters Avenue	1 Salisbury Street	Providence
Potters Avenue	5 Salisbury Street	Providence
Potters Avenue	22 Salisbury Street	Providence
Potters Avenue	267 Swan Street	Providence

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 tax-exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;
- Whereas,** On May 18, 2023, the RIHousing Board of Commissioners granted preliminary approval of mortgage financing to S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) (the “Applicant”) to acquire and/or rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax- Exempt Bonds</u>	<u>RIHousing 1st Mortgage</u>
Potters Tigrai Apartments	S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY)	\$8,700,000	\$475,000

<u>DAH-2 Loan</u>	<u>CMF Loan</u>	<u>CRP Grant</u>
\$4,550,000	\$250,000	\$2,000,000

Whereas, said bonds shall have a term not to exceed 36 months 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 Potters-Tigrai LP or an affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$8,700,000 for rental housing known as Potters Tigrai Apartments located in Providence 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 \$8,700,000 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, subject to the special conditions listed below, RIHousing hereby grants firm approval for a permanent taxable loan to the Borrower in an amount not to exceed \$475,000 for rental housing known as Potters Tigrai Apartments located in Providence.

Resolved, that, subject to the special conditions listed below, RIHousing hereby grants firm approval of a Capital Magnet Fund loan to the Borrower in an amount not to exceed \$250,000 for rental housing known as Potters Tigrai Apartments located in Providence.

Resolved, that, subject to the special conditions listed below, RIHousing hereby grants firm approval of a Development of Affordable Housing 2 Program loan to

the Borrower in an amount not to exceed \$4,550,000 for rental housing known as Potters Tigray Apartments located in Providence.

Resolved, that, subject to the special conditions listed below, RIHousing hereby grants firm approval of a Community Revitalization Program award to the Borrower in an amount not to exceed \$2,000,000 for rental housing known as Potters Tigray Apartments located in Providence.

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;
- Recordation of a Community Revitalization Program Deed Restriction in form acceptable to RIHousing;
- Approval of Webster Bank Construction Loan documents and simultaneous closing of the Webster Bank Construction 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, the 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.