

**Request for Action**  
**by**  
**Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits and  
Preliminary Approval of Financing for The Millrace District**

**A. PROJECT SUMMARY**

This Request for Action (“**REA**”) is for approval of the reservation of up to \$1,117,210 of 2021 and/or 2022 Low-Income Housing Tax Credits (“**LIHTC**”), and for the preliminary approval of: (i) a taxable first mortgage loan in an amount of up to \$1,350,000, (ii) a commitment of a HOME Investment Partnerships Program (“**HOME Program**”) loan of \$1,600,000, and (iii) a commitment of a Housing Trust Fund (“**HTF**”) loan of \$2,145,430 for The Millrace District (the “**Development**” or “**Millrace**”), a 70-unit rental housing development to be located in Woonsocket, Rhode Island. The developer is NeighborWorks Blackstone River Valley (“**NWBRV**” or the “**Developer**”), a Rhode Island based non-profit developer with a portfolio of affordable housing developments in Rhode Island.

The Millrace District is proposed as a mixed-use and mixed-income development. Plans include the adaptive reuse of three historic mill buildings to create 70 units of affordable rental housing and 21,439 square feet of co-office, retail, and arts fabrication space. The “live/work” apartments will be located on the upper building floors and the commercial space will occupy the ground floors of the three buildings. Of the 70 rental apartments, 11 will be affordable to households earning 30% area median income (“**AMI**”), 31 will be affordable to individuals/families at or below 50% AMI, 13 will be offered to households earning 51% - 60% AMI, and the remaining 15 will be market rate designated as workforce housing. There will be four efficiency units, 61 one-bedroom units, and five two-bedroom units. NWBRV has concurrently applied for 11 Section 811 project-based vouchers for the 30% AMI units.

The total development costs for Millrace are approximately \$28,278,800. The Developer previously secured awards from the Acquisition and Rehabilitation Program for the commercial units and Building Homes Rhode Island for a portion of the residential rehabilitation. NWBRV has also applied for funds under the Workforce Housing Innovation Challenge Program (“**WHIC**”) administered by RIHousing and the Affordable Housing Program (“**AHP**”) from the Federal Home Loan Bank of Boston. As a historic building, Millrace is eligible to leverage considerable equity from both federal historic tax credits (“**FHTC**”) and state historic tax credits (“**SHTC**”). Both the National Equity Fund and Bank of America provided letters of interest (“**LOI**”) to NWBRV with pricing of approximately \$0.92 for the LIHTC and FHTC. Citizens Bank has provided a LOI to NWBRV to provide a construction loan for the project.

As part of the underwriting process following preliminary approval, RIHousing staff will work with the Developer to appropriately size the soft cost budget, including reserves and carrying costs, to ensure that the minimum amount of tax credits and soft sources are allocated to the Development. Several of the project’s strengths include: (i) the redevelopment of abandoned

mills in downtown Woonsocket, which will significantly improve the area and generate new economic activity; (ii) the location of the property adjacent to previously completed NWBRV projects including a business incubator for culinary programs; (iii) the creation of new affordable housing stock appealing to artisans and craftsmen seeking live/work space units in a desirable mill space; (iv) the creation of commercial space and community space using the ground floors; (v) a competent and skilled development team; and (vi) the project's receipt of environmental cleanup funding awards allowing for completion of site environmental remediation prior to closing of the LIHTC transaction.

The Development is in a Qualified Census Tract ("QCT"), allowing for a 30% basis boost to the qualified rehabilitation expenses, making the project financially feasible as part of a qualified low-income housing project.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded Millrace the second highest score in the 2021 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2021 Qualified Allocation Plan. It is anticipated that the Development will generate 126 jobs during construction.

This Request for Action is for the reservation of up to \$1,117,210 of 2021 and/or 2022 LIHTC, and for the preliminary approval of: (i) a taxable first mortgage loan in an amount of up to \$1,350,000, (ii) a commitment of a HOME Program loan of \$1,600,000 and (iii) a commitment of a HTF loan of \$2,145,430.

## **B. RECOMMENDATION**

The attached resolution is recommended for approval subject to:

- Approval of the development team by RIHousing.
- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Syndication equity from the allocation of LIHTC, FHTC and STHC in amounts sufficient to achieve project feasibility and including a pay-in schedule acceptable to RIHousing.
- Approval of WHIC and AHP funds in amounts sufficient to achieve project feasibility or alternative equity satisfactory to RIHousing.
- Approval by RIHousing of design and construction plans, specifications, and construction documentation.
- Approval of the proposed operating budget for the development.
- Approval from the City of Woonsocket verifying real estate tax assessment at no more than 8% of gross potential income.
- 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 preliminary approval is consistent with NWBRV's December 18, 2020 application submission for 2021 LIHTC.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

**C. ATTACHMENTS**

A. Development Summary

B. Resolution

C. Site Location Map

**Attachment A  
Development Summary**

**A. Development Team**

**Developer:** The Woonsocket Neighborhood Development Corporation  
d/b/a NeighborWorks Blackstone River Valley  
719 Front Street  
Woonsocket, RI 02895

**Contractor:** To be bid

**Architect:** John O’Hearne  
O’Hearne Associates  
PO Box 598  
Burrillville, RI 02830

**Legal:** Michelle Fonseca  
Holland & Knight LLP  
100 Sockanosset Cross Road  
Cranston, RI 02920

**Management Agent:** Maloney Properties Inc.  
27 Mica Lane  
Wellesley, MA 02481

**Development Team Qualifications**

*Developer*

The Woonsocket Neighborhood Development Corporation d/b/a NeighborWorks Blackstone River Valley (“NWBRV”) has been creating economic opportunity and revitalizing Rhode Island neighborhoods for almost 30 years. They have completed eight tax credit developments with more than 400 units. They have developed homeownership opportunities, more than 20,000 square feet of commercial space and a day care center. Originally based in Woonsocket, NWBRV has expanded their territory to include much of northern Rhode Island, working in Burrillville, North Smithfield, and Glocester. NWBRV is the largest nonprofit community development corporation serving Northern Rhode Island and the Blackstone Valley.

*Architect*

O’Hearne Associates has prior experience designing new affordable housing developments and has a track record of working collaboratively with NWBRV. O’Hearne Associates was the architect for Marshfield Commons, Sankofa Apartments and Greenridge Associates. The firm is familiar with RI Housing’s Design and Construction guidelines.

### *Legal*

Holland & Knight LLP is an international law firm that has provided legal services to several RIHousing borrowers on multiple transactions over the past 20 years. Michelle Roberto Fonseca provides both tax and real estate expertise to her clients and has experience with affordable housing transactions with complex capital stacks.

### *Management Agent*

Maloney Properties Inc. (“Maloney”) is a full-service property management company established in 1981 and headquartered in Boston, MA. Maloney will incorporate this development into their current portfolio of over 80 developments containing more than 8,500 units. In Rhode Island, Maloney currently manages the NWBRV portfolio as well as that of Dakota Properties, Inc. With a diverse staff of over 350 employees, Maloney is experienced with the requirements of LIHTC funded developments as well as RIHousing’s loan servicing and asset management team. Maloney is a certified MBE and WBE.

## B. Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
EFF	30%	4	\$ 761.00	\$ 761.00	0%	0.0%
1	30%	33	\$ 815.00	\$ 815.00	0%	0.0%
2	30%	1	\$ 978.00	\$ 978.00	0%	0.0%
1	60%	12	\$ 978.00	\$ 978.00	0%	0.0%
2	60%	1	\$ 1,174.00	\$ 1,174.00	0%	0.0%
1	100%	12	\$ 1,250.00	-	0%	0.0%
2	100%	3	\$ 1,375.00	-	0%	0.0%
1	30%	4	\$ 489.00	\$ 489.00	0%	0.0%
<b>Total</b>		<b>70</b>				

Note – Seven of the 30% units are being underwritten to the HUD 811-voucher rent

## C. Finance Summary

SOURCES	70		
	Commercial	Residential	Residential per unit
RIH First Mortgage	\$ -	\$ 1,350,000	\$ 19,286
LIHTC Proceeds	\$ -	\$ 10,268,053	\$ 146,686
Fed. Historic Tax Credit Proceeds	\$ 3,335,051	\$ 588,538	\$ 8,408
State Historic TC Proceeds	\$ 2,951,781	\$ 1,360,719	\$ 19,439
ARP	\$ 975,000	\$ -	\$ -
AHP Direct Subsidy	\$ -	\$ 650,000	\$ 9,286
NWBRV/NWA	\$ 175,000	\$ -	\$ -
RIH Workforce Housing	\$ -	\$ 1,200,000	\$ 17,143
RI HRC / BHRI	\$ -	\$ 1,679,232	\$ 23,989
RIH HOME/HTF	\$ -	\$ 3,745,430	\$ 53,506
		\$ -	\$ -
<b>Total Sources</b>	<b>\$ 7,436,833</b>	<b>\$ 20,841,972</b>	<b>\$ 297,742</b>
USES	Commercial	Residential	Residential per unit
Construction	\$ 4,617,000	\$ 13,000,000	\$ 185,714
Contingency	\$ 369,360	\$ 1,040,000	\$ 14,857
Acquisition	\$ 1,058,136	\$ 2,104,764	\$ 30,068
Soft Costs	\$ 491,621	\$ 2,313,855	\$ 33,055
Financing	\$ 87,500	\$ 744,500	\$ 10,636
Developer Fee	\$ 698,216	\$ 1,200,202	\$ 17,146
Operating Reserve	\$ 50,000	\$ 288,000	\$ 4,114
Lease Up Reserve	\$ -	\$ -	\$ -
Replacement Reserve Year 1 Deposit	\$ 20,000	\$ 41,650	\$ 595
Other Reserves	\$ 45,000	\$ 109,000	\$ 1,557
		\$ -	\$ -
<b>Total Uses</b>	<b>\$ 7,436,833</b>	<b>\$ 20,841,971</b>	<b>\$ 297,742</b>

**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 housing for low and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing; and
- 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”); and
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island; and
- Whereas,** staff for RIHousing has determined that the Applicant (“Applicant”) listed below is eligible for the Program under the laws of the State of Rhode Island and the federal tax code; and
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits available in calendar years 2021 and/or 2022 (the “Tax Credits”), and for construction and/or permanent financing as follows:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTCs</b>	<b>1<sup>st</sup> Mortgage</b>	<b>HOME Program</b>	<b>HTF</b>
NeighborWorks Blackstone River Valley	The Millrace District	\$1,117,210	\$1,350,000	\$1,600,000	\$2,145,430

- Whereas,** RIHousing staff has reviewed the submission, inspected the site, and determined that this development may qualify 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 pursuant to the provisions of this chapter 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 2021 and/or 2022 Tax Credits be reserved for the Developer 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 the Director of Development, each acting singly be, and hereby are, authorized and empowered in the name of and on behalf of RIHousing 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 preliminarily commitment up to \$1,350,000 for a taxable first mortgage loan to NeighborWorks Blackstone River Valley or an affiliated entity (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 preliminarily commitment for a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,600,000 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 preliminarily commitment for a Housing Trust Fund loan to the Borrower in an amount not to exceed \$2,145,430 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 conditions:

- Approval of the development team by RIHousing.
- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units.
- Syndication equity from the allocation of LIHTC, FHTC and SHTC in amounts sufficient to achieve project feasibility and a pay-in schedule acceptable to RIHousing;
- Approval of WHIC and AHP funds in amounts sufficient to achieve project feasibility or alternative equity satisfactory to RIHousing.
- Approval by RIHousing of design and construction plans, specifications, and construction documentation.
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- Confirmation by RIHousing that the final development budget, schedule and unit configuration presented for preliminary approval is consistent with NWBRV's December 18, 2020 application submission for 2021 Tax Credits.
- Satisfactory and timely performance in accordance with the schedule established by RIHousing staff.
- 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 the Director of Development, each acting singly, be and hereby are authorized to take all actions they deem necessary or desirable to carry out the foregoing resolutions.

**Attachment C**

**SITE LOCUS MAP**

**The Millrace District  
Woonsocket, RI**

