

**REQUEST FOR ACTION
BY
BOARD OF COMMISSIONERS**

***Authorization to Issue Tax-Exempt Loan to Support
Construction of Rock Ridge Apartments
\$30,000,000***

1. Summary of Issues

As part of the process of financing the construction of Rock Ridge Apartments in Woonsocket, staff has requested the Board of Commissioners to approve the issuance by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) of a tax-exempt note not to exceed \$30,000,000. Rock Ridge Apartments will provide 152 units of housing, including one non-income-producing management unit, of which 100% will be affordable to households with incomes at or below 60% of area median income. The developer, The BLVD Group, LLC (“BLVD”), has formed a limited partnership, Rock Ridge, LP (the “Borrower”), which will be the owner of the project and the recipient of the loan.

This Request for Action is requesting authorization for the issuance of multifamily housing revenue bonds and approval of a trust indenture to support the acquisition and rehabilitation of Rock Ridge Apartments.

This is a conduit transaction in which there will be a Fannie Mae Multifamily Tax-Exempt Bond (“MTEB”) issuance of \$23,800,000 originated by Merchants Capital Investments, LLC (“MCI”) with RIHousing issued tax-exempt bonds. There will be an additional equity bridge loan of \$6,200,000 that will be interest-only through construction and repaid at completion. The bridge loan will also be privately placed with Merchants Bank of Indiana (“the Bridge Lender”). The bridge loan will be cash collateralized through deposits made into an account controlled by the trustee, The Bank of New York Mellon Trust Company, N.A. Each loan will be reflected in a separate mortgage or promissory note. Since the loans are considered to be tax-exempt financing, the Development will be eligible to receive 4% low-income housing tax credits and generate approximately \$18 million in equity to fund development costs.

The loans will be non-recourse to RIHousing. RIHousing will only need to provide an assignment of its rights under the loans to MCI and the Bridge Lender. The Borrower note and mortgage will also be assigned to MCI and, subsequently, Fannie Mae. Merchants Capital Corp. will act as the DUS lender and will service the permanent loan for Fannie Mae.

This structure provides a number of advantages to the participants. The Borrower receives a better interest rate, reduced transaction fees and a more expedited closing process. MCI is able to record this transaction as a loan for purposes of its evaluation under the Community Reinvestment Act. RIHousing will receive a one-time origination fee of 1.0% of the principal amount of the loan, plus an annual issuer fee equal to 25 basis points of the outstanding loan, without having to service the loan to the Borrower or bearing any financial risk from the Borrower’s default. BLVD will pay all costs associated with the transaction.

Attachment A is the Authorizing Resolution and Attachment B sets forth the terms of the financing agreement between RIHousing, the Trustee and the Borrower.

2. Recommendation

RIHousing staff recommends approval of the attached resolution authorizing loans in an amount not to exceed \$30,000,000 to finance a tax-exempt loan to the Borrower for the acquisition and rehabilitation of Rock Ridge Apartments and the execution of the financing agreement in substantially the form set forth in Attachment B.

3. Attachments

- A. Authorizing Resolution
- B. Form of Financing Agreement