

**Request for Action
by
Board of Commissioners**

Firm Approval of Financing for Rock Ridge Apartments (Woonsocket)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$30,000,000 and a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$999,000 for Rock Ridge Apartments (the “Development”). The BLVD Group, LLC is the developer (“BLVD” or the “Developer”). The Development received preliminary approval from the Board of Commissioners on June 20, 2024 (“Preliminary Approval”).

Rock Ridge Apartments is an existing 152-unit property located in Woonsocket. The property has one (non-income-producing) management unit. Originally built in 1971 and financed under the Section 236 program, the Development was refinanced in 2001 with 9% low-income housing tax credits (“LIHTC”) and financing from RIHousing. In 2019, the property was purchased by an affiliate of BLVD and the RIHousing loan was paid off. 73% of the units benefit from a project-based Section 8 Housing Assistance Payments (“HAP”) contract, and RIHousing is the HAP contract administrator. The Developer is seeking a new 20-year Section 8 HAP contract.

The Development consists of 14 two-story buildings that contain six to twenty living units and a separate 15th building that serves as a community building. A new limited partnership, consisting of an affiliate of the Developer as the general partner and a syndicator-sponsored tax credit fund as the limited partner, will purchase and renovate the Development.

Although the Development is in fair condition, the project will benefit from significant rehabilitation to windows, siding, roofing, amenities, unit interiors, and updated building systems with a special emphasis on building efficiency.

This is a conduit transaction in which Fannie Mae will make a Multifamily Tax-Exempt Bond (“MTEB”) loan originated by Merchants Capital Investments, LLC (“Merchants”). The borrower will begin paying principal and interest immediately after closing based on the HAP contract renewal. Merchants’ affiliate, Merchants Bank of Indiana, will also provide a tax-exempt equity bridge loan that will be repaid at construction completion with syndication proceeds. Upon repayment of the bridge loan, Fannie Mae will assume all financial risk.

Since Preliminary Approval, total development costs have increased by approximately \$6,700,000, which can be generally attributed to increased construction costs. Some contributing factors include full window replacement instead of partial replacement due to fire code regulations, as well as additional structural repairs are required on the foundation and to the roof to accommodate a solar installation. The financing costs have also increased, mainly due to additional fees from the senior lender and additional construction loan

interest.

The Developer received a \$750,000 Green and Resilient Retrofit Program (“GRRP”) grant in late 2024; however, in light of recent federal actions, the Developer has elected to move forward with a capital stack that does not include GRRP funds. The GRRP grant has been removed and replaced with additional income from operations and a seller loan to ensure the scope of work is completed.

Merchants will be the syndicator and is paying \$0.91 per credit, an increase of \$.06/credit over the Preliminary Approval estimate. This increase in equity pricing is a result of Merchants also acting as the DUS lender of the Fannie Mae MTEB loan.

This RFA requests firm approval of \$30,000,000 in tax-exempt financing and \$999,000 of CMF funding for Rock Ridge Apartments, subject to certain conditions as set forth in the attached Resolutions.

B. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Rock Ridge Apartments

Preliminary _____

Firm X

Date: March 20, 2025

Project: Rehabilitation of 152 units in Woonsocket comprised of 36 one-bedroom, 66 two-bedroom, and 50 three-bedroom units.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	The BLVD Group, LLC	Los Angeles, CA	low
Mortgagor	Rock Ridge, LP	Los Angeles, CA	low
Architect	David Presbrey Architects	Providence, RI	low
Legal	Cox, Castle & Nicholson LLP	Los Angeles, CA	low
Management Agent	Franklin Group Companies, LLC	Virginia Beach, VA	low
General Contractor	Pyramid ETC Companies, LLC	Ramsey, NJ	low
Consultant	N/A		
Syndicator	Merchants Capital	Carmel, IN	low

Executive Summary

Property Address	121 Rockridge Drive	Woonsocket, RI 02895
Proposed Loan Amount(s) and Terms		
Tax Exempt Loan	\$30,000,000	
Bridge Loan	\$6,200,000	7.10%/interest only
Permanent Loan	\$23,800,000	5.60%, Private Placement
CMF Loan	\$999,000	1%, 35 years

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

Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
First Mortgage	\$21,006,424	138,200	\$2,793,576	\$23,800,000	\$156,579
Capital Magnet Fund	\$999,000	6,572	\$0	\$999,000	\$6,572
Seller Loan	\$7,000,000	46,053	\$0	\$7,000,000	\$46,053
LIHTC Proceeds	\$14,953,769	98,380	\$2,909,228	\$17,862,997	\$117,520
Other Equity	\$439,831	2,894	\$483,792	\$923,623	\$6,076
Deferred Development Fee	\$5,211,429	34,286	(\$1,570,205)	\$3,641,224	\$23,955
Bond Reinvestment Proceeds	\$0	0	\$343,583	\$343,583	\$2,260
Operating Cash Flow During Constr	\$0	0	\$2,540,000	\$2,540,000	\$16,711
GRRP Elements	\$750,000	4,934	(\$750,000)	\$0	\$0
Total Sources	\$50,360,453	331,319	\$6,749,974	\$57,110,427	\$375,726
Uses	Amount		Delta	Amount	
	Amount	Per Unit		Amount	Per Unit
Construction	\$13,032,620	\$85,741	\$3,516,740	\$16,549,360	\$108,877
Contingency	\$1,176,062	\$7,737	\$302,340	\$1,478,402	\$9,726
Acquisition	\$22,110,000	\$145,461	(\$60,000)	\$22,050,000	\$145,066
Soft Costs	\$3,019,932	\$19,868	\$121,411	\$3,141,343	\$20,667
Financing	\$2,550,110	\$16,777	\$2,714,226	\$5,264,336	\$34,634
Developer Fee	\$6,283,309	\$41,338	\$989,207	\$7,272,516	\$47,846
Operating Reserve	\$1,671,428	\$10,996	(\$542,507)	\$1,128,921	\$7,427
Lease Up Reserve	\$278,571	\$1,833	(\$278,571)	\$0	\$0
Other Reserves	\$238,422	\$1,569	(\$12,873)	\$225,549	\$1,484
Total Uses	\$50,360,453	\$331,319	\$6,749,974	\$57,110,427	\$375,726

Loan to Value Test:

NET OPERATING INCOME	\$1,927,598	12,682	(\$98,946)	\$1,828,652	\$12,031
Appraisal Cap Rate	5.75%			5.75%	
Valuation	\$33,523,443	220,549	(\$1,720,792)	\$31,802,651	\$209,228
Loan Principal	\$23,800,000	156,579		\$23,800,000	\$156,579
LTV	71.00%		4%	74.84%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$375,726	\$366,815 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.17	
DCR Yr 15	1.37	
NOI	\$1,828,652	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	74.84%	
Initial Installment (%) of syndication proceeds	20%	
Acquisition Price equal to or less	\$22,050,000	

than Appraised value		
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,128,921	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$45,600	Senior Lender requires \$300/unit

Deviations from standard underwriting – Yes

Merchants' LOI requires a Replacement Reserve of \$300 per unit. Merchants and, subsequently, Fannie Mae will assume all financial risk.

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
1	60%	3	\$ 1,935.00	\$ 1,152.00	168%	0.0%
1	50%	4	\$ 1,935.00	\$ 960.00	202%	0.0%
2	60%	5	\$ 2,315.00	\$ 1,383.00	167%	0.0%
2	50%	6	\$ 2,315.00	\$ 1,152.00	201%	0.0%
3	60%	4	\$ 2,600.00	\$ 1,597.00	163%	0.0%
3	50%	5	\$ 2,600.00	\$ 1,331.00	195%	0.0%
1	60%	7	\$ 1,935.00	\$ 1,152.00	168%	0.0%
1	50%	8	\$ 1,935.00	\$ 960.00	202%	0.0%
2	60%	15	\$ 2,315.00	\$ 1,383.00	167%	0.0%
2	50%	19	\$ 2,315.00	\$ 1,152.00	201%	0.0%
3	60%	15	\$ 2,600.00	\$ 1,597.00	163%	0.0%
3	50%	20	\$ 2,600.00	\$ 1,331.00	195%	0.0%
1	60%	13	\$ 1,199.00	\$ 1,152.00	104%	0.0%
2	60%	21	\$ 1,393.00	\$ 1,383.00	101%	0.0%
3	60%	6	\$ 1,753.00	\$ 1,597.00	110%	0.0%
1	60%	1	\$ -	\$ 1,152.00	0%	0.0%
Total		152				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, RIHousing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, RIHousing is authorized to issue conduit financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

Whereas, on June 20, 2024, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to the BLVD Group, LLC (“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>CMF Loan</u>
Rock Ridge Apartments	The BLVD Group, LLC	\$30,000,000	\$999,000

Whereas, said bonds shall have a term not to exceed 35 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; 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.

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 firm commitment for tax-exempt mortgage financing for Rock Ridge, LP or an affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$30,000,000 for rental housing known as Rock Ridge Apartments located in Woonsocket, Rhode Island 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 \$30,000,000 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. 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, in order to fund the loan to the Development, RIHousing may enter into a loan arrangement with Merchants Capital Investments, LLC (the “Merchants Loan”) substantially in accordance with the terms outlined in the Request for Action to which this resolution is attached.

Resolved, that the Executive Director, Deputy Executive Director, or Director of

Finance (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with Merchants Capital Investments, LLC as it may require to evidence the Merchants Loan, including, without limitation, a funding loan agreement, note(s), and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners of RIHousing.

Resolved, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents, and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, each such determination pursuant to the immediately preceding clauses to be conclusively evidenced by the taking of such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$999,000 for a Capital Magnet Fund loan to the Borrower for rental housing known as Rock Ridge Apartments located in Woonsocket, Rhode Island.

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;
- HUD approval of the Borrower’s rent request and waivers;
- Evidence of the availability of a 20-year HAP contract for the Development at rent levels that, in the judgment of RIHousing, are sufficient to ensure project feasibility;
- Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;

- RIHousing approval of all Merchants Capital Investments, LLC loan documents;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any other lender;
- Approval by RIHousing of design and construction plans, specifications and construction documentation;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing; 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.