

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of First Mortgage Financing for Rockville Mill**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) first mortgage taxable financing in an amount not to exceed \$1,000,000 for Rockville Mill (hereinafter referred to as the “Development”). Marathon Development, LLC is the developer (the “Developer”).

**B. DISCUSSION**

Rockville Mill, located in Hopkinton, consists of 14 residential units and a commercial space leased by the US Post Office. House of Hope is utilizing one of the residential units as office space to provide supportive services to project residents. The mill dates back to 1850 and was converted to its current residential and commercial use in 2011. The Developer acquired the property for \$855,000 in November of 2020 with funding from the CARES Act, a pandemic recovery program, as well as owner equity. The CARES Act provided funds for the acquisition and renovation of property for the purpose of creating supportive housing for individuals experiencing homelessness or at risk of homelessness due to the COVID 19 pandemic.

At the time of acquisition in 2020, the residential units were vacant due to mismanagement and a subsequent receivership initiated by the senior lender. The building was in good shape at the time of acquisition due to the prior renovation. The Developer has since fully leased the project working closely with the House of Hope who provides supportive services to the residents and operating assistance through Continuum of Care (“CoC”) subsidies. As part of stabilizing the property, the Developer spent approximately \$240,000 to address minor life-safety issues and some deferred maintenance, of which most was self-funded, however earned no developer fee through the CARES Act funding. In the past several months, the Developer secured a 20-year project-based voucher (“PBV”) contract ensuring that the Development will remain as permanent supportive housing. It will also free up the CoC subsidies for other developments served by House of Hope. The CARES Act regulatory agreement expires at the end of 2023. This refinancing will result in a 40-year regulatory agreement.

This RFA requests firm approval of \$1,000,000 in taxable first mortgage financing subject to certain conditions as set forth in the attached Resolution.

**B. ATTACHMENTS**

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

## Attachment A

### Credit Summary

#### Approval Loan Recommendation Summary – Rockville Mill

Preliminary \_\_\_\_\_

Firm  X

Date: November 20, 2023

**Project:** Rockville Mill consists of 13 residential units, a commercial space leased by the US Post Office and a former residential space leased by House of Hope. The residential units consist of 3 one-bedroom, 6 two-bedroom and 4 three-bedroom. All units have project-based vouchers.

#### Development Team

	Name	Location	Risk Rating
<b>Sponsor/Developer</b>	Marathon Development, LLC	Boston	Low
<b>Mortgagor</b>	Rockville Mill Hopkinton, LLC	Boston	Low
<b>Architect</b>	NA		
<b>Legal</b>	Chace Ruttenberg & Freedman, LLP	Providence	Low
<b>Management Agent</b>	Housing Opportunities Corporation	Providence	Low
<b>General Contractor</b>	NA		
<b>Consultant</b>	NA		
<b>Syndicator</b>	NA		

#### Executive Summary

<b>Property Address</b>	332 Canonchet Road Hopkinton, RI 02832	
<b>Proposed Loan Amount(s) and Terms</b>		
Taxable Loan	\$1,000,000	7%/40 years

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

## Proposed Sources & Uses:

Sources	Firm	
	Amount	Per Unit
RIH First Mortgage	\$1,000,000	\$76,923
CARES Act	\$920,000	\$70,769
General Partner Capital	\$96,917	\$7,455
<b>Total Sources</b>	<b>\$2,016,917</b>	<b>\$155,147</b>

Uses	Firm	
	Amount	Per Unit
Construction	\$240,357	\$18,489
Acquisition	\$930,379	\$71,568
Soft Costs	\$94,245	\$7,250
Financing	\$41,250	\$3,173
Developer Fee	\$84,104	\$6,470
Operating Reserve	\$145,009	\$11,155
Replacement Reserve Year 1 Deposit	\$28,000	\$2,154
Other Reserves	\$18,227	\$1,402
Equity Takeout	\$435,346	\$33,488
<b>Total Uses</b>	<b>\$2,016,917</b>	<b>\$155,147</b>

## Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$106,056	\$8,158	(\$9,973)	\$96,083	\$7,391
Appraisal Cap Rate	6.75%			6.75%	
Valuation	\$1,570,000	\$120,769	(\$146,544)	\$1,423,456	\$109,497
Loan Principal	\$1,000,000	\$76,923		\$1,000,000	\$76,923
LTV	63.69%		7%	70.25%	

## Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$155,147	
Residential Vacancy Rate	5%	
DCR Yr 1	1.29	
DCR Yr 15	1.26	
NOI	\$96,083	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	64%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$145,009	Six months of Operating Expenses, Replacement Reserves and Debt Service.

Replacement Reserve (Amt and confirm consistency with UW requirements)	\$28,000	\$2,000 per residential unit.
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**Deviations from standard underwriting – None**

**Unit Distribution and Revenue**

Unit	Rent Type	Number of Units	Gross Rent	Market Rent	Discount from Market Rent
1	30%	3	\$ 1,474.00	\$ 1,500.00	1.7%
2	30%	6	\$ 1,771.00	\$ 1,800.00	1.6%
3	30%	4	\$ 2,264.90	\$ 2,300.00	1.5%
<b>Total</b>		<b>13</b>			<b>1.6%</b>

Underwriting is based on the lower of PBV or market rates

**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 provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;

**Whereas:** Rockville Mill Hopkinton, LLC (the “Applicant”) is requesting firm approval of taxable first mortgage financing for the Development as set forth below:

<b>Applicant</b>	<b>Development</b>	<b>Taxable Mortgage</b>
Rockville Mill Hopkinton, LLC	Rockville Mill	\$1,000,000

**Whereas,** the RIHousing Board of Commissioners and staff have reviewed the submission of Rockville Mill Hopkinton, LLC 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 subject to the special conditions listed below, RIHousing hereby declares firm commitment for first mortgage financing for Rockville Mill Hopkinton, LLC (the “Borrower”) in an amount not to exceed \$1,000,000 for rental housing known as Rockville Mill located in Hopkinton, Rhode Island.

**Resolved,** that the foregoing resolutions are subject to the following special conditions:

- Interest rates are subject to change based on market conditions. The loan may be re-sized as necessary based on final interest rate;
- Receipt of appraisal prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- Recording of a Regulatory Agreement in form(s) acceptable to RIHousing; 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 Real Estate Development each acting singly, be and hereby are empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.