

**Request for Action  
by  
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)  
and Preliminary Approval of Financing for Rosebrook Commons**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for approval of a reservation of 2023 and/or 2024 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,088,685, as well as preliminary approval of a Rhode Island Housing and Mortgage Financing Corporation (“RIHousing”) taxable construction loan in an amount not to exceed \$11,895,000, of which \$3,659,000 will remain as permanent debt, and a HOME Investment Partnerships Program (“HOME”) loan in the amount of \$1,000,000 for Rosebrook Commons (the “Development”). The developer is Mesolella Development Corp. (the “Developer”).

Rosebrook Commons is a proposed mixed-income, mixed-use development located at 1747 West Main Road in Middletown that will be developed in two phases. Phase I, the subject of this RFA, consists of two buildings comprised of 64 residential units and 23,000 square feet of ground floor commercial space. Of the 64 units, 51 will be LIHTC units and the remaining 13 units are slated as middle income with rents up to 120% of area median income (“AMI”). The unit sizes vary from one to three bedrooms. Of the 51 LIHTC units, 13 will be affordable to households with incomes below 30% of AMI and 38 will be affordable to households with incomes below 60% of AMI. The Developer has requested HPF-ELI funds to provide operating support for the 30% AMI units.

As currently contemplated, the Development will be condominiumized so that the commercial space will be a separate condo from the residential units and will, therefore, be financed separately. Accordingly, the commercial space is not reflected in the sources and uses contemplated herein. The entire Development has been granted a Comprehensive Permit and received final plan approval from the Middletown Planning Board on January 9, 2023.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2022. The collective capital stack for the Development is anticipated to consist of (i) the permanent loan from RIHousing contemplated herein, (ii) proceeds from the sale of 9% LIHTC, (iii) the HOME loan contemplated herein, (iv) a Middle Income Program loan, and (v) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds.

The Funding Committee, which is comprised of senior RIHousing staff and a member of the RIHousing Board of Commissioners, awarded Rosebrook Commons the second highest score in the 2023 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2023 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2023 and/or 2024 9% LIHTC in an amount not to exceed \$1,088,685, as well as preliminary approval of a taxable construction loan in an amount not to

exceed \$11,895,000, of which \$3,659,000 will remain as permanent debt, and a HOME loan in the amount of \$1,000,000 for Rosebrook Commons, 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 – Rosebrook Commons**

**Preliminary:**   X  

**Firm** \_\_\_\_\_

**Date:** May 18, 2023

**Project:** New construction of 64 units of housing, of which 51 are affordable housing units, in Middletown, RI with a unit mix of 42 one-bedroom units, 18 two-bedroom units and 4 three-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Sponsor/Developer</b>	Mesolella Development Corp.	Providence, RI	Low
<b>Mortgagor</b>	TBD		
<b>Architect</b>	Branch Architects LLC	Providence, RI	Low
<b>General Contractor</b>	Trac Builders, Inc.	Providence, RI	Low
<b>Legal</b>	Chace Rutenberg & Freedman, LLP	Providence, RI	Low
<b>Management Agent</b>	First Realty Management Corporation	Boston, MA	Low
<b>Consultant</b>	Barbara Sokoloff Associates, Inc.	Providence RI	Low
<b>Syndicator</b>	TBD		Low

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	1747 West Main Street	Middletown
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Construction/Bridge Loan	\$8,236,000	6.5%/3 Years
RIHousing Permanent First Mortgage	\$3,659,000	7.25%/30 Years
HOME Loan	\$1,000,000	0%/30 Years

Note: Interest rates are subject to change based on market conditions and deal specifics

**Proposed Sources & Uses:**

<b>Sources</b>	<b>Preliminary</b>	
	<b>Amount</b>	<b>Per Unit</b>
RIH First Mortgage	\$3,659,000	\$57,172
RIH HOME Loan	\$1,000,000	\$15,625
DAH 2	\$6,000,000	\$93,750
Middle Income Program	\$960,000	\$15,000
LIHTC Proceeds	\$9,688,328	\$151,380
<b>Total Sources</b>	<b>\$21,307,328</b>	<b>\$332,927</b>

<b>Uses</b>	<b>Preliminary</b>	
	<b>Amount</b>	<b>Per Unit</b>
Construction	\$14,872,841	\$232,388
Contingency	\$1,041,099	\$16,267
Acquisition	\$800,000	\$12,500
Soft Costs	\$1,450,639	\$22,666
Financing	\$1,284,434	\$20,069
Developer Fee	\$1,339,800	\$20,934
Operating Reserve	\$425,195	\$6,644
Replacement Reserve Year 1 Deposit	\$20,800	\$325
Other Reserves	\$72,520	\$1,133
<b>Total Uses</b>	<b>\$21,307,328</b>	<b>\$332,927</b>

**\$1,190,000 LIHTC @ \$.89/credit**

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	\$332,927	\$324,825 net of reserves
Residential Vacancy Rate	7%	
DCR Yr 1	1.15	
DCR Yr 15	1.25	
NOI	\$344,813	
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned.
Operating Reserve (Amt and confirm consistency with UW requirements)	\$425,195	Consistent with underwriting requirements
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$20,800	

**Deviations from standard underwriting – N/A**

**Unit Distribution and Revenue:**

<b>Unit</b>	<b>Rent Type</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>Gross Rent as a</b>		<b>Discount from Market Rent</b>
				<b>LIHTC Max Rent</b>	<b>% of LIHTC Max Rent</b>	
1	30%	13	\$ 1,093.00	\$ 656.00	167%	0.0%
1	60%	21	\$ 1,312.00	\$ 1,312.00	0%	0.0%
1	120%	8	\$ 1,438.00	\$ -	0%	0.0%
2	60%	14	\$ 1,575.00	\$ 1,575.00	0%	0.0%
2	120%	4	\$ 1,704.00	\$ -	0%	0.0%
3	60%	3	\$ 1,819.00	\$ 1,819.00	0%	0.0%
3	120%	1	\$ 2,240.00	\$ -	0%	0.0%
<b>Total</b>		<b>64</b>				<b>0.0%</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 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,** the Low-Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986, as amended (the “Act”);
- Whereas,** RIHousing has been designated the administrator of the Program in the State of Rhode Island;
- Whereas,** staff for RIHousing has determined that Mesolella Development Corp. (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of low-income housing tax credits (“LIHTC”) available in calendar year 2023 and/or 2024, as well as additional financing, as follows:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTC</b>	<b>Taxable Loan</b>	<b>HOME Program</b>
Mesolella Development Corp.	Rosebrook Commons	\$1,088,685	\$11,895,000	\$1,000,000

- 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; 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 up to \$1,088,685 of allocated 2023 and/or 2024 LIHTC be reserved for the Applicant or an affiliated entity of the Applicant (the “Borrower”) 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 Director of Real Estate Development, each acting singly, are hereby empowered and directed 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 preliminary commitment of up to \$11,895,000 of taxable construction financing, of which \$3,659,000 will remain as a permanent debt, to the Borrower for rental housing known as Rosebrook Commons to be located in Middletown, Rhode Island.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves a preliminary commitment of a HOME Investment Partnerships Program Loan in an amount not to exceed \$1,000,000 to the Borrower for rental housing known as Rosebrook Commons to be located in Middletown, Rhode Island.

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

- Final appraisals and market studies acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loans do not exceed 90% of the as-stabilized value of the Development and that sufficient demand exists for the proposed units;

- 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;
- Approval from the Town of Middletown verifying real estate tax assessment at no more than 8% of gross potential income;
- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval of the proposed operating budget for the development, including a detailed secondary budget outlining the provision of supportive services;
- 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 approval are consistent with Borrower's application submission for 2023 and/or 2024 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- 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, 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.