

**Request for Action
by
Board of Commissioners**

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

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of 2025 and/or 2026 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,382,000 as well as preliminary approval of (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable permanent first mortgage in an amount not to exceed \$3,650,000; (ii) a Middle Income Program loan in an amount not to exceed \$1,406,732 (“MIP Loan”); (iii) a HOME Investment Partnerships Program loan in an amount not to exceed \$1,155,640 (“HOME Loan”); (iv) a Capital Magnet Fund loan in an amount not to exceed \$600,000 (“CMF loan”); (v) a Housing Production Fund loan in an amount not to exceed \$617,989 (“HPF Loan”); (vi) a HOME Investment Partnerships Program American Rescue Plan Program loan in an amount not to exceed \$2,052,963 (“HOME-ARP Loan”); and (vii) a Development of Affordable Housing 2 loan in an amount not to exceed \$1,200,000 (“DAH-2 Loan”) for South Point Commons (the “Development”). The developer of South Point Commons is Connolly and Partners, LLC (the “Developer”).

South Point Commons is the proposed new construction of 72 mixed-income units in Westerly. The project will comprise two three-story buildings and a single-story community building. Of the 72 units, 16 will be restricted to households earning up to 30% of area median income (“AMI”), 34 units will be restricted to households earning up to 60% of AMI, 16 units will be deed-restricted for middle-income occupants, and the remaining six units will be unrestricted market-rate units. The Developer has applied for a RIHousing HPF-ELI operating subsidy to help subsidize the 30% AMI units. Both residential buildings are garden-style walkups. The unit mix is projected to be 36 one-bedroom, 28 two-bedroom, and 8 three-bedroom units, with 106 parking spaces.

The Developer has signed a memorandum of understanding with the WARM Center to provide supportive services for the 16 30% AMI units. They focus on individuals exiting homelessness and support progress toward self-sufficiency.

The Development site consists of four lots, with most of the development confined to one section of the property to accommodate site restrictions. It is located just off Route 1 near the intersection with Route 78 in an area Westerly has targeted for affordable housing.

The Developer submitted their proposal in response to the Request for Proposals issued by RIHousing in December 2024. The Funding Committee, which is comprised of senior staff, the Secretary of Housing, and a member of the RIHousing Board of Commissioners, awarded the Development the highest score in the 2025 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2025 Qualified Allocation Plan (“QAP”). In addition to the gap financing outlined here, the

Developer also requested an allocation of State LIHTC (“SLIHTC”) from the Department of Housing, which is pending approval.

This RFA requests a reservation of 2025 and/or 2026 9% LIHTC in an amount not to exceed \$1,382,000 as well as preliminary approval of: (i) a RIHousing taxable permanent first mortgage loan in an amount not to exceed \$3,650,000; (ii) a MIP Loan in an amount not to exceed \$1,406,732; (iii) a HOME Loan in an amount not to exceed \$1,155,640; (iv) a CMF Loan in an amount not to exceed \$600,000; (v) an HPF Loan in an amount not to exceed \$617,989; (vi) a HOME-ARP Loan in an amount not to exceed \$2,052,963; and (vii) a DAH-2 Loan in an amount not to exceed \$1,200,000 for South Point Commons, subject to certain conditions as set forth in the attached Resolution.

B. ATTACHMENTS

- A.** Credit Summary
- B.** Resolutions

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – South Point Commons

Preliminary X

Firm _____

Date: April 17, 2025

Project: The new construction of 72 units will comprise 50 affordable units, 16 middle-income units, and six market rate units. There will be 36 one-bedroom, 28 two-bedroom, and eight three-bedroom units upon completion.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Connolly and Partners, LLC	Manchester, CT	Low
Mortgagor	Entity to be formed		
Architect	Ed Wojcik Architect, Ltd	Providence, RI	Low
Legal	Chace Ruttenberg Freedman, LLP	Providence, RI	Low
Management Agent	Connolly and Partners, LLC	Manchester, CT	Low
General Contractor	Connolly and Partners, LLC	Manchester, CT	Low
Consultant	N/A		
Syndicator	TBD		

Executive Summary

Property Address	107-109 Wells Street	Westerly
Proposed Loan Amount(s) and Terms		
Permanent 1 st Mortgage	\$3,650,000	8.50%, 40 Years
Middle Income (MIP)	\$1,406,732	0%, 40 Years
HOME	\$1,155,640	0%, 40 Years
Capital Magnet Fund (CMF)	\$600,000	1%, 40 Years
Housing Production Fund (HPF)	\$617,989	0%, 40 Years

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HOME-ARP	\$2,052,963	0%, 40 Years
DAH-2	\$1,200,000	0%, 40 Years

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$3,650,000	50,694
Middle-Income	\$1,406,732	19,538
RIH HOME Loan	\$1,155,640	16,051
CMF	\$600,000	8,333
Housing Production Fund	\$617,989	8,583
HOME ARP	\$2,052,963	28,513
DAH-2	\$1,200,000	16,667
LIHTC Proceeds	\$12,436,760	172,733
State LIHTC	\$4,818,708	66,927
Total Sources	\$27,938,792	388,039
Uses	Amount	Per Unit
Construction	\$18,720,773	\$260,011
Contingency	\$936,038	\$13,001
Acquisition	\$1,000,000	\$13,889
Soft Costs	\$2,727,840	\$37,887
Financing	\$2,371,392	\$32,936
Developer Fee	\$1,515,360	\$21,047
Operating Reserve	\$483,752	\$6,719
Replacement Reserve Year 1 Deposit	\$36,000	\$500
Other Reserves	\$147,637	\$2,051
Total Uses	\$27,938,792	\$388,039

\$1,382,000 credits @ \$.90

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$388,039	\$378,769 net of reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.20	
DCR Yr 15	1.15	
NOI	\$386,492	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be

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		commissioned
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	TBD	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$483,752	Six months of debt service and operating expenses
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$36,000	\$500/unit

Deviations from standard underwriting – None

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	30%	16	\$ 1,105.00	\$ 663.00	167%	0.0%
1	60%	10	\$ 1,326.00	\$ 1,326.00	0%	0.0%
1	100%	9	\$ 1,600.00	\$ -	0%	0.0%
1	Over 120%	1	\$ 1,600.00	\$ -	0%	0.0%
2	60%	19	\$ 1,591.00	\$ 1,591.00	0%	0.0%
2	100%	7	\$ 1,900.00	\$ -	0%	0.0%
2	Over 120%	2	\$ 1,900.00	\$ -	0%	0.0%
3	60%	5	\$ 1,838.00	\$ 1,838.00	0%	0.0%
3	Over 120%	3	\$ 2,400.00	\$ -	0%	0.0%
Total		72				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,** 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 Connolly and Partners, LLC (“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 2025/2026 as well as additional funding, as follows:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage	MIP Loan
Connolly and Partners, LLC	South Point Commons	\$1,382,000	\$3,650,000	\$1,406,732

CMF Loan	HPF Loan	HOME- ARP Loan	DAH-2 Loan	HOME Loan
\$600,000	\$617,989	\$2,052,963	\$1,200,000	\$1,155,640

- 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 \$1,382,000 of allocated 2025 and/or 2026 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 \$3,650,000 for a taxable first mortgage to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,406,732 for a Middle Income Program loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,155,640 for a HOME Investment Partnerships Program loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$600,000 for a Capital Magnet Fund loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$617,989 for a Housing Production Fund loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$2,052,963 for a HOME Investment Partnerships Program-American Rescue Plan loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of up to \$1,200,000 of a Development of Affordable Housing 2 loan to the Borrower for rental housing known as South Point Commons to be located in Westerly, 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 phases and that sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC in an amount sufficient to achieve project feasibility;
- Approval of an allocation of State LIHTC and State LIHTC syndication equity 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; without limiting the foregoing, all necessary approvals by CDFI Fund relative to the Capital Magnet Fund loan;
- Approval from the Town of Westerly verifying real estate tax assessment at no more than 8% of gross potential income;
- A taxable construction loan from an acceptable lender in an amount sufficient to achieve project feasibility;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;

- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Receipt and approval of all documentation RIHousing deems necessary to comply with the requirements of the Build America, Buy America Act;
- 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 2025 and/or 2026 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.