

**Request for Action  
by  
Board of Commissioners**

**Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)  
and Preliminary Approval of Financing for Southpoint 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 \$1,200,000, as well as preliminary approval from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) of a HOME Investment Partnerships Program (“HOME”) loan in the amount of \$1,000,000 and a HOME Investment Partnerships American Rescue Plan (“HOME-ARP”) loan in the amount of \$2,000,000 for Southpoint Commons (the “Development”). The developer is Dakota Partners, Inc. (“Dakota” or the “Developer”).

Southpoint Commons is a proposed mixed-income development comprised of 72 new construction units on Route 1 in Westerly. The site is controlled by the Developer via a purchase option, and the Developer expects to purchase the property once the U.S. Department of Housing and Urban Development (“HUD”) Environmental Review is completed in late May 2023. The site has no frontage to provide access, however, prior to the Developer’s purchase of the site, the seller will form a land condominium to provide access via an easement across the adjacent land condominium unit. The improvements will consist of 2 three-story residential buildings and an additional community building containing office space, a clubhouse and other project amenities. There will be 36 one-bedroom, 28 two-bedroom, and 8 three-bedroom units. The project will be affordable to tenants at a range of income levels, with 16 units available to households at or below 30% of area median income (“AMI”), 41 units available to households at or below 60% of AMI, and 15 market rate units.

The Developer submitted its proposal for the Development in response to the Request for Proposals issued by RIHousing in November 2022. Development Division staff carefully reviewed construction costs and total development costs given that previous Dakota projects have experienced cost increases between preliminary and firm approval. The RIHousing Design & Construction staff concluded that proposed construction costs for Southpoint Commons in this application are “reasonable” based on today’s environment and compare to similar recently priced projects. The collective capital stack for the Development is anticipated to consist of (i) a permanent loan from a third-party lender, (ii) proceeds from the sale of 9% LIHTC, (iii) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds; (iv) the HOME loan contemplated herein; (v) the HOME-ARP loan contemplated herein, and (vi) a deferred developer fee.

The Funding Committee, which is comprised of senior RIHousing staff and a member of the RIHousing Board of Commissioners, awarded Southpoint Commons the third 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 2022 Qualified Allocation Plan (“QAP”).

This RFA requests a reservation of 2023 and/or 2024 9% LIHTC in an amount not to exceed \$1,200,000, as well as preliminary approval of a HOME loan in the amount of \$1,000,000 and a HOME-ARP loan in the amount of \$2,000,000 for Southpoint 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 – Southpoint Commons**

Preliminary   X  

Firm \_\_\_\_\_

**Date:** May 18, 2023

**Project:** New construction of 72 apartments located in Westerly consisting of 57 affordable and 15 market rate units. There will be 36 one-bedroom units, 28 two-bedroom units and 8 three-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location</b>	<b>Risk Rating</b>
<b>Sponsor/Developer</b>	Dakota Partners, Inc.	Waltham, MA	Low
<b>Mortgagor</b>	TBD		
<b>Architect</b>	Ed Wojcik Architect, Ltd.	Providence, RI	Low
<b>Legal</b>	Sheehan Phinney Bass & Green PA	Boston, MA	Low
<b>Management Agent</b>	Wingate Management Company, LLC	Newton, MA	Low

**Executive Summary**

<b>Property Address</b>	47 Franklin Street	Westerly, RI
<b>Proposed Loan Amount(s) and Terms</b>		
HOME	\$1,000,000	0%/40-year term
HOME-ARP	\$2,000,000	0%/40-year term

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

**Proposed Sources & Uses:**

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$4,320,000	\$60,000
RIH HOME Loan	\$1,000,000	\$13,889
HOME-ARP	\$2,000,000	\$27,778
DAH-2	\$5,000,000	\$69,444
LIHTC Proceeds	\$11,278,872	\$156,651
Deferred Fee	\$4,524	\$63
<b>Total Sources</b>	<b>\$23,603,396</b>	<b>\$327,825</b>

Uses	Amount	
	Amount	Per Unit
Construction	\$16,021,206	\$222,517
Contingency	\$1,201,590	\$16,689
Acquisition	\$1,100,000	\$15,278
Soft Costs	\$1,827,000	\$25,375
Financing	\$1,468,000	\$20,389
Developer Fee	\$1,377,600	\$19,133
Operating Reserve	\$504,000	\$7,000
Replacement Reserve Year 1 Deposit	\$36,000	\$500
Other Reserves	\$68,000	\$944
<b>Total Uses</b>	<b>\$23,603,396</b>	<b>\$327,825</b>

**Underwriting Metrics:**

Metric	Amount	Comment
Total Development Cost Per Unit	\$327,825	
Residential Vacancy Rate	5.0%	
DCR Yr 1	1.16	Proforma utilizes negative trending
DCR Yr 15	1.15	
NOI	\$373,251	Year 1
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	20%	
Acquisition Price equal to or less than Appraised value	NA	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$504,000	Equals 6 months debt and OPEX.

Replacement Reserve (Amt and confirm consistency with UW requirements)	\$36,000	\$325/unit; consistent with UW requirement
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**Deviations from standard underwriting – NO**

**Unit Distribution and Revenue:**

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent
1	30%	16	\$ 975.00	\$ 590.00	165%
1	60%	13	\$ 1,181.00	\$ 1,181.00	100%
1	Over 120%	7	\$ 1,550.00	\$ -	NA
2	60%	21	\$ 1,417.00	\$ 1,417.00	100%
2	Over 120%	7	\$ 1,750.00	\$ -	NA
3	60%	7	\$ 1,636.00	\$ 1,636.00	100%
3	Over 120%	1	\$ 1,950.00	\$ -	NA
<b>Total</b>		<b>72</b>			

Prior to seeking firm approval, market rents will be determined by a RI Housing commissioned appraisal.

**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 Dakota Partners, Inc. (“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>HOME</b>	<b>HOME-ARP</b>
Dakota Partners, Inc.	Southpoint Commons	\$1,200,000	\$1,000,000	\$2,000,000

**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 \$1,200,000 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 a HOME Investment Partnerships Program Loan in an amount not to exceed \$1,000,000 to the Borrower for rental housing known as Southpoint Commons to be located in Westerly, Rhode Island.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves preliminary commitment of a HOME Investment Partnerships American Rescue Plan Program Loan in an amount not to exceed \$2,000,000 to the Borrower for rental housing known as Southpoint 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 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 Westerly verifying real estate tax assessment on affordable units 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 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;
- Confirmation that the construction costs at firm commitment and closing are within 5% of the Borrower's application submission for 2023 and/or 2024 LIHTC;
- 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.