

Request for Action
by
Board of Commissioners

Approval of Reservation of Low-Income Housing Tax Credits (LIHTC)
and Preliminary Approval of Financing for Summer Street I & II

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for approval of a reservation of 2022 and/or 2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,120,000, and preliminary approval of HOME Investment Partnerships Program (“HOME Program”) funds of \$500,000 for Summer Street I (“Summer Street I”). This RFA is also seeking preliminary approval of tax-exempt construction financing in an amount not to exceed \$14,000,000 for Summer Street II (“Summer Street II”). Together, Summer Street I & Summer Street II will produce 176 units of housing divided into two tranches with separate legal owners. Crossroads Rhode Island is the developer of both tranches (“Crossroads” or the “Developer”).

Summer Street I & II are located in Providence, Rhode Island. Summer Street I will provide 87 units and Summer Street II will provide 89 units. Collectively, Summer Street I & II will serve as replacement units for the single room occupancy units (“SROs”) at 160 Broad Street, Providence, commonly known as the Tower. Substantial economies of scale will be achieved by simultaneous construction on the two proposed tranches because the 176 new units will be located in two wings of a single building. The development site is currently a vacant in-fill lot. Summer Street I & II will be required to pay Davis Bacon Wages due to the Rental Assistance Demonstration 2 Conversion (“RAD 2 Conversion”) as outlined below. Once vacated, 160 Broad Street will be converted from 176 SROs into 32 one-bedroom and 52 studio apartments.

The target population is comprised of extremely low-income individual adults who are homeless or at risk of homelessness. Individual adults targeted for this project will have very little income at entry with multiple challenges to housing stability. Ease of access to community resources is critical to the successful outcomes for residents. Crossroads will provide a full range of homeless services to these clients, which should allow them to remain in this self-sustainable housing.

The proposed building is anticipated to be a Net Zero development utilizing podium style construction with a solar array on the roof. To serve the anticipated needs of the target population, the project includes bike racks; small, private units that will be furnished; a large common meeting room for use by residents and the community-at-large; multiple common laundry rooms; and small conference rooms equipped with computer equipment. The landscaping around the building entrance has been carefully designed to provide a degree of privacy to residents and spaces for social interaction.

All 176 units will be rented to tenants at or below 30% AMI. Between the two tranches, 90 units will be supported by a Project Based Rental Assistance Contract (“PBRA”) contract transferred over from the SRO units currently at the Tower in the form of a McKinney Vento Contract that will be converted into a PBRA contract as part of a RAD 2 Conversion through U.S. Department of Housing and Urban Development (“HUD”); 44 units will benefit from Section 811 Supportive

Housing for Persons with Disabilities Program vouchers; 22 units will be covered under the Continuum of Care program and 20 units will require those person(s) who have the means to contribute to their stay via self-pay.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded the third highest score to Summer Street I in the 2022 9% LIHTC round based on the strength of the application and the criteria outlined in the State of Rhode Island 2022 Qualified Allocation Plan.

This RFA requests approval of a reservation of 2022 and/or 2023 9% LIHTC in an amount not to exceed \$1,120,000 and HOME Program funds of \$500,000 for Summer Street I subject to certain conditions as set forth in the attached Resolution for Summer Street I.

This RFA also requests preliminary approval of tax-exempt financing not to exceed \$14,000,000, of which \$3,025,000 will remain as permanent debt, for Summer Street II subject to certain conditions as set forth in the attached Resolution for Summer Street II.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution Summer Street I
- C.** Resolution Summer Street II

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – SUMMER STREET I & II

Preliminary X

Firm _____

Date: April 13, 2022

Project: New construction of 176 affordable one-bedroom apartments in Providence.

Development Team

	Name	Location (city/state)	Risk Rating (low/med/high)
Sponsor/Developer	Crossroads Rhode Island	Providence, RI	Low
Mortgagor	TBD		
Architect	KITE Architects, Inc.	Providence, RI	Low
General Contractor	TBD		
Legal	Holland & Knight LLP	Boston, MA	Low
Management Agent	Crossroads Rhode Island	Providence, RI	Low
Consultant	Linda Silveira Real Estate Consulting, LLC	Bristol, RI	Low
Syndicator	National Equity Fund, Inc.	New York, NY	Low

Executive Summary – Summer Street I

	Address	City
Property Address	94 Summer Street	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
9% LIHTC	\$1,120,000	NA
HOME Loan	\$500,000	3% / 30 Years

Executive Summary – Summer Street II

	Address	City
Property Address	94 Summer Street	Providence
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan		
Construction/Bridge Loan	\$10,975,000	4% / 3 Years
Permanent Loan	\$3,025,000	4% / 30 Years

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

Proposed Sources & Uses:

Source	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Perm Loans	\$3,340,000	\$38,391	\$3,025,000	\$33,989	\$6,365,000	\$36,165
RI CPACE Solar Energy Loan	\$222,444	\$2,557	\$227,557	\$2,557	\$450,001	\$2,557
Building Homes Rhode Island	\$2,000,000	\$22,989	\$2,000,000	\$22,472	\$4,000,000	\$22,727
BHRI/ HPF/ARPA/CMF	\$2,400,000	\$27,586	\$3,975,000	\$44,663	\$6,875,000	\$39,063
RIH HOME Loan	\$500,000	\$5,747		\$0	\$0	\$0
RIH DP Loan	\$1,300,000	\$14,943	\$1,300,000	\$14,607	\$2,600,000	\$14,773
Community Development Block Grant	\$625,000	\$7,184	\$0	\$0	\$625,000	\$3,551
LIHTC Proceeds	\$10,526,947	\$120,999	\$12,128,704	\$136,278	\$22,655,651	\$128,725
Zero Energy Building Funds	\$125,000	\$1,437	\$0	\$0	\$125,000	\$710
Providence HOME Funds	\$500,000	\$5,747	\$500,000	\$5,618	\$1,000,000	\$5,682
Federal Appropriations Funds	\$2,000,000	\$22,989	\$0	\$0	\$2,000,000	\$11,364
RI ARPA Funds	\$2,095,000	\$24,080	\$1,450,000	\$16,292	\$3,545,000	\$20,142
Solar Tax Credit Equity	\$83,434	\$959	\$85,352	\$959	\$168,786	\$959
FHLB Funds	\$556,839	\$6,400	\$0	\$0	\$556,839	\$3,164
RI Renewable Energy Funds	\$37,074	\$426	\$37,926	\$426	\$75,000	\$426
Various National Grid Funds	\$198,579	\$2,283	\$201,420	\$2,263	\$399,999	\$2,273
Providence ARPA Funds	\$885,000	\$10,172	\$3,335,481	\$37,477	\$4,220,481	\$23,980
Total Sources	\$27,395,317	\$314,889	\$28,266,440	\$317,600	\$55,661,757	\$316,260

Uses	9%		4%		Total	
	Amount	Per Unit	Amount	Per Unit	Amount	Per Unit
Construction	\$19,759,061	\$227,116	\$20,214,762	\$227,132	\$39,973,823	\$227,124
Contingency	\$1,975,906	\$22,712	\$2,024,608	\$22,748	\$4,000,514	\$22,730
Acquisition	\$420,170	\$4,830	\$429,830	\$4,830	\$850,000	\$4,830
Soft Costs	\$2,567,854	\$29,516	\$2,511,943	\$28,224	\$5,079,797	\$28,862
Financing	\$876,464	\$10,074	\$1,283,083	\$14,417	\$2,159,547	\$12,270
Developer Fee	\$1,250,000	\$14,368	\$1,250,000	\$14,045	\$2,500,000	\$14,205
Operating Reserve	\$427,940	\$4,919	\$431,918	\$4,853	\$859,858	\$4,886
Replacement Reserve Year 1 Deposit	\$28,275	\$325	\$28,925	\$325	\$57,200	\$325
Other Reserves	\$89,647	\$1,030	\$91,371	\$1,027	\$181,018	\$1,029
Total Sources	\$27,395,317	\$314,889	\$28,266,440	\$317,600	\$55,661,757	\$316,260

Summer Street I - \$1,120,000 LIHTC @ \$.94/credit

Summer Street II - \$1,318,469 LIHTC @ \$.92/credit

Underwriting Metrics: Summer Street I

Metric	Amount	Comment
Total Development Cost Per Unit	\$314,889	
Residential Vacancy Rate	4%	
DCR Yr 1	1.19	
DCR Yr 15	1.15	
NOI	\$246,321	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	20%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$427,940	Equal to 6 months operating & debt service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$28,275	Equal to \$325 per unit

Underwriting Metrics: Summer Street II

Metric	Amount	Comment
Total Development Cost Per Unit	\$317,600	
Residential Vacancy Rate	4%	
DCR Yr 1	1.25	
DCR Yr 15	1.23	
NOI	\$262,919	
Income Trending	2.0%	
Expense Trending	3.0%	
Initial Installment (%) of syndication proceeds	20%	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$431,918	Equal to 6 months operating & debt service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$28,925	Equal to \$325 per unit

Deviations from standard underwriting – Yes

Underwriting for both Summer Street I & II utilizes a 4% vacancy rate. Staff considers this reasonable because 156 of the 176 units include an operating subsidy.

Summer Street II does not meet the second portion of the Bridge Loan Test. The \$14,000,000 tax-exempt loan is the minimum required to meet the 50% Test required to generate the tax credits. The Borrower has included a significant amount of money from non-RI Housing sources; however, the bulk of these funds will not be available until conversion.

Unit Distribution and Revenue

Rent Type	Subsidy	Bedrooms	# of Units			Gross Rent	Net Rent	LIHTC Max Rent	% of Max
			9%	4%	Total				
30%	PBV's	1	45	45	90	\$987	\$987	\$486	203%
30%	811	1	21	23	44	\$898	\$898	\$486	185%
30%	C of C	1	11	11	22	\$898	\$898	\$486	185%
30%	None	1	10	10	20	\$457	\$457	\$486	94%
Total			87	89	176				

**ATTACHMENT B
SUMMER STREET I**

**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, 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 Crossroads Rhode Island (“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 2022 as follows:

Applicant	Development	9% LIHTC	HOME Program
Crossroads Rhode Island	Summer Street I	\$1,120,000	\$500,000

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 \$1,120,000 of allocated 2022 and/or 2023 Tax Credits be reserved for the Applicant or an affiliated entity (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 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 \$500,000 of HOME Program funds to the Borrower for rental housing to be located in Providence, Rhode Island known as Summer Street I.

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;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval from the City of Providence 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;
- The simultaneous closing of Summer Street I and Summer Street II, including construction financing;

- 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;
- 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 preliminary approval is consistent with Developer's application submission for 2022 LIHTC;
- FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage;
- 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 the Director of Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.

**ATTACHMENT C
SUMMER STREET II**

**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 financing qualified housing developments throughout the state;
- Whereas,** said bonds shall have a term not to exceed 40 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;
- Whereas,** RIHousing is also authorized to issue tax-exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** Crossroads Rhode Island (“Applicant”) has presented an application to RIHousing requesting mortgage financing to acquire and/or rehabilitate the development as set forth below (the “Development”):

Applicant	Development	Tax-Exempt Financing
Crossroads Rhode Island	Summer Street II	\$14,000,000

- 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, subject to the special conditions listed below RIHousing hereby approves preliminary commitment for a tax-exempt first mortgage loan in an amount not to exceed \$14,000,000 to Crossroads Rhode Island or an affiliated entity (the “Borrower”) for rental housing to be located in Providence, Rhode Island and known as Summer Street II.

Resolved, that RIHousing hereby declares that this preliminary commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance up to \$14,000,000 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. This resolution shall take effect immediately upon adoption.

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;
- Availability of subordinate financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval from the City of Providence verifying real estate tax assessment

- at no more than 8% of gross potential income;
- The simultaneous closing of Summer Street I and Summer Street II, including construction financing;
 - 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;
 - 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 preliminary approval is consistent with Developer's application submission for tax-exempt financing;
 - FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage;
 - 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 Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.