

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Summer Street Apartments**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$42,000,000, of which \$10,450,000 will remain as a permanent first mortgage, a HOME Investment Partnerships Program (“HOME Program”) loan of \$1,500,000, a Capital Magnet Fund (“CMF”) Loan of \$1,000,000, a Development of Affordable Housing-2 (“DAH-2”) loan of \$4,000,000, a Rhode Island Rebounds (“DAH-1”) loan of \$2,500,000, and a Community Revitalization Program (“CRP”) award of \$1,900,000 for Summer Street Apartments (hereinafter referred to as the “Development”). Crossroads Rhode Island is the developer (“Crossroads” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

**B. DISCUSSION**

The Development will consist of 176 new units on a vacant lot adjacent to the property known as The Tower at 160 Broad Street in Providence. The Development is the first phase of Crossroads’ overall plan to renovate the area around The Tower, including the area where the Crossroads administrative offices are located. The site is conducive to a residential development as it is within a Transit Oriented Development (TOD) overlay zone, which has been identified by the City of Providence as a priority for high density growth because of its proximity to transit and neighborhood amenities, residential services and a commercial corridor.

All 176 units will be one-bedroom units and will be available to households with incomes at or below 30% of area median income (“AMI”), which will allow the Development to serve extremely low-income residents. The existing McKinney-Vento contract in The Tower will be transferred to the Development and converted into a Rental Assistance Demonstration (“RAD”) contract. The RAD contract, a Project Based Voucher (“PBV”) Contract, and a HUD Section 811 Voucher Contract will provide operating subsidies to 168 of the 176 units. The remaining eight units will be self-pay.

The Total Development Cost (“TDC”) has increased nearly \$5 million since preliminary approval. The increase is due primarily to increased construction costs, higher insurance costs and increased construction loan interest expense. The RAD conversion will trigger prevailing wages and increased prevailing wage rates became effective between Preliminary Approval and the execution of the construction contract. The increased construction loan interest is a result of higher borrowing costs. The Borrower has filled this gap primarily through increased syndication proceeds and a larger permanent loan.

Since Preliminary Approval, the Developer has secured the National Equity Fund (“NEF”) as their limited partner. Bank of America, N.A. (“BOA”) is NEF’s investor and will be the

initial construction lender, which allowed NEF to offer LIHTC pricing of \$0.948. RIHousing will issue the tax-exempt bonds for this project 11 to 12 months after closing with a portion of the bond proceeds used to repay the BOA loan. To lock in the construction costs included the current prevailing wage scales and take advantage of early funding commitments, Crossroads issued a limited notice to proceed to the general contractor in August. The environmental remediation is now complete with the site work, construction of the basement and foundation piers underway. This work is anticipated to be completed before the winter season, thereby saving on construction costs. The completion of this work prior to the closing also reduces the risk of finding unforeseen site and environmental conditions.

This RFA requests firm approval of \$42,000,000 in tax-exempt financing, of which \$10,450,000 will remain as permanent debt, a HOME Program loan of \$1,500,000, a CMF Loan of \$1,000,000, a DAH-2 loan of \$4,000,000, a DAH-1 loan of \$2,500,000, and a CRP grant award of \$1,900,000 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 – Summer Street Apartments**

**Preliminary** \_\_\_\_\_

**Firm**   X  

**Date:** November 20, 2023

**Project:** New construction of 176 affordable apartments located in Providence which will be comprised entirely of furnished one-bedroom units and designed to support those at risk of homelessness.

**Development Team**

	<b>Name</b>	<b>Location</b>	<b>Risk Rating</b>
<b>Sponsor/Developer</b>	Crossroads Rhode Island	Providence, RI	Low
<b>Mortgagor</b>	Summer Street Housing Partners I, LP	Providence, RI	Low
<b>Architect</b>	KITE Architects, Inc.	Providence, RI	Low
<b>Legal</b>	Riemer & Braunstein LLP	Boston, MA	Low
<b>Management Agent</b>	Crossroads Rhode Island	Providence, RI	Low
<b>General Contractor</b>	Trac Builders, Inc.	Providence, RI	Low
<b>Consultant</b>	Linda Silveira Real Estate Consulting, LLC	Bristol, RI	Low
<b>Syndicator</b>	National Equity Fund, Inc.	Chicago, IL	Low

## Executive Summary

<b>Property Address</b>	94 Summer Street	Providence, RI
<b>Proposed Loan Amount(s) and Terms</b>		
Tax-Exempt Loan*	\$42,000,000	
Construction Loan	\$31,550,000	6.05%/3-year term
Permanent Loan	\$10,450,000	7.60%/40-year term
HOME	\$1,500,000	0%/40-year term
CMF	\$999,000	1.0%/40-year term
DAH-2	\$4,000,000	0%/40-year term
DAH-1	\$2,500,000	0%/40-year term
CRP	\$1,900,000	Grant to Crossroads

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

## Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$9,625,000	\$54,688	\$825,000	\$10,450,000	\$59,375
RIH HOME Loan	\$1,500,000	\$2,841	\$0	\$1,500,000	\$8,523
Capital Magnet Fund	\$999,000	\$5,676	\$1,000	\$1,000,000	\$5,682
Building Homes Rhode Island	\$4,000,000	\$22,727	\$0	\$4,000,000	\$22,727
RIH Rebounds Fund	\$2,500,000	\$14,205	\$0	\$2,500,000	\$14,205
CRP Award	\$1,900,000	\$10,795	\$0	\$1,900,000	\$10,795
DAH - 2	\$4,000,000	\$22,727	\$0	\$4,000,000	\$22,727
Providence HTF (ARPA)	\$2,500,000	\$14,205	\$0	\$2,500,000	\$14,205
LIHTC Proceeds	\$36,399,830	\$206,817	\$1,484,641	\$37,884,471	\$215,253
RI Energy Performance Incentives	\$367,500	\$2,088	\$0	\$367,500	\$2,088
Providence HOME	\$1,000,000	\$5,682	\$0	\$1,000,000	\$5,682
Federal Appropriations	\$2,000,000	\$11,364	\$0	\$2,000,000	\$11,364
FHLB Award	\$556,839	\$3,164	\$93,161	\$650,000	\$3,693
OHCD - SLRF	\$10,000,000	\$56,818	\$0	\$10,000,000	\$56,818
RI Rewable Engery Grant	\$75,000	\$426	\$0	\$75,000	\$426
RI Digital Divide	\$61,940	\$352	\$0	\$61,940	\$352
ZEOS	\$0	\$352	\$250,000	\$250,000	\$1,420
DEM	\$0	\$352	\$350,000	\$350,000	\$1,989
Energy Credit Proceeds	\$0	\$352	\$1,177,021	\$1,177,021	\$6,688
Deferred Accrued Interest	\$0	\$352	\$782,627	\$782,627	\$4,447
Deferred Developer Fee	\$1,500,000	\$8,523	\$0	\$1,500,000	\$8,523
<b>Total Sources</b>	<b>\$78,985,109</b>	<b>\$448,779</b>	<b>\$4,963,450</b>	<b>\$83,948,559</b>	<b>\$476,980</b>
Uses	Amount	Per Unit	Delta	Amount	Per Unit
Construction	\$55,083,778	\$312,976	\$1,954,413	\$57,038,191	\$324,081
Contingency	\$5,624,081	\$31,955	(\$75,000)	\$5,549,081	\$31,529
Acquisition	\$850,000	\$4,830	\$0	\$850,000	\$4,830
Soft Costs	\$7,182,366	\$40,809	\$219,691	\$7,402,057	\$42,057
Financing	\$4,363,815	\$24,794	\$2,508,369	\$6,872,185	\$39,047
Developer Fee	\$4,600,000	\$26,136	\$0	\$4,600,000	\$26,136
Operating Reserve	\$1,095,579	\$6,225	\$233,347	\$1,328,926	\$7,551
Replacement Reserve Year 1 Deposit	\$57,200	\$325	\$0	\$57,200	\$325
Other Reserves	\$128,290	\$729	\$122,630	\$250,920	\$1,426
<b>Total Uses</b>	<b>\$78,985,109</b>	<b>\$448,779</b>	<b>\$4,963,450</b>	<b>\$83,948,559</b>	<b>\$476,980</b>

The ZEOS and DEM awards above have not yet been awarded to the project. In the event these funds are not awarded, the Developer will either replace them with alternative funds or increase the amount of the deferred developer fee.

### Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$1,148,389	\$6,525	(\$159,208)	\$989,181	\$5,620
Appraisal Cap Rate	6.25%			6.25%	
Valuation	\$18,400,000	\$104,545	(\$2,573,106)	\$15,826,894	\$89,926
Loan Principal	\$10,450,000	\$59,375		\$10,450,000	\$59,375
LTV	56.79%		9%	66.03%	

### Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$448,779	
Residential Vacancy Rate	5%	
DCR Yr 1	1.19	Proforma utilizes negative trending.
DCR Yr 15	1.23	
NOI	\$989,181	Year 1
Income Trending	2%	
Expense Trending	3%	
Loan to Value	56.79%	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,328,926	Equals six months operating expenses, debt service and replacement reserves.
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$57,200	Equals \$325 per unit, consistent with UW requirements

### Deviations from standard underwriting – Yes

The project fails “Test 2” of the Bridge Loan Test. The construction loan is sized at the minimum level required to meet the IRS requirement that 50% of the project be financed using tax-exempt bonds. However, RIHousing’s bond loan will not be funded until the project achieves 50% completion to allow BOA an opportunity to participate in the construction financing, thereby minimizing risk.

The project also exceeds the agency guidelines for TDC per unit. The combination of the requirement to pay prevailing construction wages and increasing interest rates have increased the overall development costs.

**Unit Distribution and Revenue**

<b>Unit</b>	<b>Rent Type</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>LIHTC Max Rent</b>	<b>Gross Rent as a % of LIHTC Max Rent</b>	<b>Discount from Market Rent</b>
1	30%	90	\$ 1,481.88	\$ 544.00	272%	31.1%
1	30%	44	\$ 1,398.00	\$ 544.00	257%	35.0%
1	30%	24	\$ 1,398.00	\$ 544.00	257%	35.0%
1	30%	10	\$ 1,398.00	\$ 544.00	257%	35.0%
1	30%	8	\$ 537.50	\$ 544.00	99%	75.0%
<b>Total</b>		<b>176</b>				<b>34.8%</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,** RIHousing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;
- Whereas,** RIHousing is authorized to issue conduit tax-exempt financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** on April 21, 2022 the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to Crossroads Rhode Island (“Applicant”) to construct the affordable housing to be known as Summer Street Apartments (the “Development”);
- Whereas,** the Applicant is requesting firm approval of tax-exempt mortgage financing for the Development as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax- Exempt Loan</u>	<u>ADDITIONAL FINANCING</u>
Summer Street Apartments	Crossroads Rhode Island	\$42,000,000	<i>See Below</i>

<u>HOME Program Loan</u>	<u>CMF Loan</u>	<u>DAH-2 Loan</u>	<u>DAH-1 Loan</u>	<u>CRP Grant</u>
\$1,500,0000	\$1,000,0000	\$4,000,000	\$2,500,000	\$1,900,000

- 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; and
- 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.

**NOW, THEREFORE, IT IS HEREBY:**

- Resolved,** that subject to the special conditions listed below, RIHousing hereby declares firm commitment for tax-exempt mortgage financing for Summer Street Housing Partners I, LP (the “Borrower”) in an amount not to exceed \$42,000,000 for rental housing known as Summer Street Apartments located in Providence, Rhode Island to be financed in part with tax-exempt bonds.
- Resolved,** that RIHousing hereby declares that this firm commitment of financing for the Borrower constitutes the affirmative official act of RIHousing of its intention to issue bonds to finance, and to reimburse qualified expenditures incurred by the Borrower or RIHousing in advance of the issuance of the bonds, up to \$42,000,000 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. The intent to reimburse the aforementioned bond-funded costs is intended to satisfy the requirements of Section 1.150-2 of the United States Treasury Regulations. This resolution shall take effect immediately upon adoption.
- Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a HOME Program loan to the Borrower, in an amount not to exceed \$1,500,000 for rental housing known as Summer Street Apartments located in Providence.
- Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a CMF loan to the Borrower, in an amount not to exceed \$1,000,000 for rental housing known as Summer Street Apartments located in Providence.
- Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a CRP award to the Borrower or an affiliated entity, in an amount not to exceed \$1,900,000 for rental housing known as Summer Street Apartments located in Providence.
- Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a DAH-2 loan to the Borrower, in an amount not to exceed \$4,000,000 for rental housing known as Summer Street Apartments located in Providence.
- Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a DAH-1 loan to the Borrower, in an amount not to exceed \$2,500,000 for rental housing known as Summer Street Apartments located in Providence.

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

- A final appraisal and market study acceptable to RIHousing prepared by an independent appraiser demonstrating that the first mortgage loan does not exceed 90% of the as-stabilized value of the property, and sufficient demand exists for the proposed units;
- Syndication equity from the allocation of LIHTC credits in amounts sufficient to achieve project feasibility;
- Approval of subordinate funding in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Approval by the bond underwriter and bond counsel confirming the loans satisfy all required bond provisions for the bond issue;
- Approval by RIHousing of construction loan documents with Bank of America, N.A.;
- Execution and delivery by the Borrower and Applicant of a construction completion guaranty in form and substance satisfactory to RIHousing;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- Approval by RIHousing of a separate budget for all supportive services which shall be separate from the operation of the real estate;
- 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.