

Request for Action
by
Board of Commissioners

Preliminary Approval of Financing for Summer Street Apartments

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for the preliminary approval of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$39,500,000, of which \$9,625,000 will remain as a permanent first mortgage, and a HOME Investment Partnerships Program (“HOME”) loan in an amount not to exceed \$1,000,000 for Summer Street Apartments (the “Development”). Crossroads Rhode Island (“Crossroads” or the “Developer”) is the developer.

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.

The original proposed plan for the Development was to construct a single 176-unit building as a bifurcated 9%/4% Low Income Housing Tax Credits (“LIHTC”) transaction with two legal owners. Summer Street I was initially awarded 9% LIHTC in the spring of 2022; however, it was subsequently determined that a single 176 unit 4% LIHTC development would raise more equity than a bifurcated development. In addition, it was determined that eliminating the bifurcated structure will reduce the overall amount of soft money required, reduce the total development costs (“TDC”), and is projected to reduce operating costs. Therefore, Crossroads has returned the 9% LIHTC award and has reapplied for the tax-exempt financing contemplated herein, in addition to the required soft debt needed to complete the single project capital stack.

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 units will be self-pay. The RAD conversion will trigger prevailing wages, which leads to an increase in the overall TDC.

The Developer submitted their proposal for the Development in response to the Request for

Proposals (“RFP”) issued by RIHousing in November 2022. Since their original preliminary commitment last spring, the Developer has secured other external sources which, in turn, further reduced their overall request in response to the RFP. The capital stack for the Development is anticipated to consist of: (i) construction to permanent financing utilizing tax-exempt bonds; (ii) equity from the allocation of 4% LIHTC; (iii) a deferred developer fee; (iv) various sponsor loans; (v) the HOME loan contemplated herein; (vi) a RI Rebounds loan; (vii) a Building Homes Rhode Island loan; (viii) a City of Providence HOME Investment Partnerships Loan; (ix) a Federal Appropriations loan; (x) Office of Housing and Community Development State and Local Fiscal Recovery Fund loans; (xi) a City of Providence Housing Trust Fund loan; (xii) a Federal Home Loan Bank award from Washington Trust; (xiii) Community Revitalization Program funds; and (xiv) Development of Affordable Housing 2 (“DAH-2” also known as ARPA Production Fund) funds.

By this RFA, staff recommends for approval the attached resolutions providing preliminary approval of \$39,500,000 in tax-exempt financing, of which \$9,625,000 will remain as a permanent first mortgage, and a HOME loan in an amount not to exceed \$1,000,000 for Summer Street Apartments, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

**Attachment A
Credit Summary**

Approval Loan Recommendation Summary – Summer Street Apartments

Preliminary X

Firm _____

Date: May 18, 2023

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

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Crossroads Rhode Island	Providence, RI	Low
Mortgagor	TBD		
Architect	KITE Architects, Inc.	Providence, RI	Low
Legal	Riemer & Braunstein LLP	Boston, MA	Low
Management Agent	Crossroads Rhode Island	Providence, RI	Low
Consultant	Linda Silveira Real Estate Consulting, LLC	Bristol, RI	Low

Executive Summary

Property Address	94 Summer Street	Providence, RI
Proposed Loan Amount(s) and Terms		
Tax-Exempt Loan	\$39,500,000	
Construction Loan	\$29,875,000	6.5%/3-year term
Permanent Loan	\$9,625,000	7.0%/40-year term
HOME	\$1,000,000	0%/40-year term

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

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$9,625,000	\$54,688
RIH HOME Loan - 1	\$500,000	\$2,841
Capital Magnet Fund	\$999,000	\$5,676
Building Homes Rhode Island	\$4,000,000	\$22,727
RIH Rebounds Fund	\$2,500,000	\$14,205
CRP Award	\$1,900,000	\$10,795
DAH - 2	\$4,000,000	\$22,727
RIH HOME Loan - 2	\$1,000,000	\$5,682
Providence HTF (ARPA)	\$2,500,000	\$14,205
LIHTC Proceeds	\$36,399,830	\$206,817
RI Energy Performance Incentives	\$367,500	\$2,088
Providence HOME	\$1,000,000	\$5,682
Federal Appropriations	\$2,000,000	\$11,364
FHLB Award	\$556,839	\$3,164
OHCD - SLRF	\$10,000,000	\$56,818
RI Energy Grant Fund	\$75,000	\$426
RIH Digital Divide	\$61,940	\$352
Deferred Developer Fee	\$1,500,000	\$8,523
Total Sources	\$78,985,109	\$448,779

Uses	Preliminary	
	Amount	Per Unit
Construction	\$55,083,778	\$312,976
Contingency	\$5,624,081	\$31,955
Acquisition	\$850,000	\$4,830
Soft Costs	\$7,182,366	\$40,809
Financing	\$4,363,815	\$24,794
Developer Fee	\$4,600,000	\$26,136
Operating Reserve	\$1,095,579	\$6,225
Lease Up Reserve	\$0	\$0
Replacement Reserve Year 1 Deposit	\$57,200	\$325
Other Reserves	\$128,290	\$729
Total Uses	\$78,985,109	\$448,779

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$448,779	
Residential Vacancy Rate	5.0%	
DCR Yr 1	1.20	Proforma utilizes negative trending
DCR Yr 15	1.31	
NOI	\$860,974	Year 1
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	25%	
Acquisition Price equal to or less than Appraised value	NA	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,095,579	Equals 6 months debt and OPEX.
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$57,200	\$325/unit; consistent with UW requirement

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.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a	
				LIHTC Max Rent	% of LIHTC Max Rent
1	30%	90	\$ 1,171.00	\$ 544.00	215%
1	30%	44	\$ 1,171.00	\$ 544.00	215%
1	30%	24	\$ 1,288.00	\$ 544.00	237%
1	30%	10	\$ 1,288.00	\$ 544.00	237%
1	30%	8	\$ 508.00	\$ 544.00	93%
Total		176			

Underwriting rents will be the lower of HAP/RAD/Section 811 or market rents. Prior to seeking Firm Approval, market rents will be determined by a RIHousing-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, RIHousing intends to issue tax-exempt bonds for the purpose of 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 authorized to issue tax-exempt financing 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”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Bonds</u>	<u>HOME Loan</u>
Summer Street Apartments	Crossroads Rhode Island	\$39,500,000	\$1,000,000

Whereas, staff has reviewed the submission and determined that the Development may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines, and policies; and

Whereas, RIHousing finds that:

(1) That there exists a shortage of decent, safe, and sanitary housing at rentals 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) That 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) That 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) That the proposed housing development to be assisted will be of public use and will provide a public benefit; and

(5) That 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, 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 declares preliminary commitment for tax-exempt mortgage financing for Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$39,500,000 for rental housing known as Summer Street Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds.

Resolved, that RIHousing hereby declares that this preliminary commitment of financing for the Applicant 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 \$39,500,000 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 preliminary approval for a HOME Investment Partnerships Program loan in an amount not to exceed \$1,000,000 to Borrower for rental housing known as Summer Street Apartments.

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;
- 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 design and construction plans, specifications, and construction documentation;
- 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.