

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Financing for The Villages at Manville (Lincoln)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,344,000 of 2024 and/or 2025 Low-Income Housing Tax Credits (“LIHTC”) and firm approval of (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable first mortgage loan in an amount up to \$4,775,000, (ii) a HOME Investment Partnerships Program loan in an amount not to exceed \$1,900,000 (the “HOME Loan”), (iii) a Housing Trust Fund loan in an amount not to exceed \$1,174,331 (the “HTF Loan”), (iv) a Rhode Island Rebounds Production Fund loan in an amount not to exceed \$305,669 (the “RIRPF Loan”), (v) a Development of Affordable Housing-2 loan in an amount not to exceed \$5,839,148 (the “DAH-2 Loan”), and (vi) a Middle Income Program loan in an amount not to exceed \$214,730 (the “MIP Loan”) for The Villages at Manville (“TVM” or the “Development”), a 72-unit rental housing development to be located in Lincoln, Rhode Island. Connolly and Partners, LLC is the developer (the “Developer”). The Development received revised preliminary approval from the Board of Commissioners on May 16, 2024 (“Revised Approval”).

The Development will consist of 72 apartments located in three buildings. Of the 72 units, 57 will be LIHTC units with rents up to 60% of area median income (“AMI”), and 15 will be restricted to households at or below 80% of AMI. There will be eight units set aside for households with incomes below 30% of AMI, and they will be supported by RIHousing Section 811 vouchers.

The original developer, Dakota Partners, Inc. (“DPI”), was moving to close in the second quarter of 2023 when it lost its syndicator due to the demise of Signature Bank. This negatively impacted the project, resulting in higher costs and delays. As a result, in its Revised Approval, the Board approved the rescission of the Development’s 2022 LIHTC reservation. However, the Board simultaneously approved a reservation of 2024 and/or 2025 LIHTC, thus resetting the Placed in Service (“PIS”) deadline from December 2024 to December 2026.

After Revised Approval, DPI, as part of its corporate financial restructuring, decided to sell its interest in TVM to Connolly and Partners, LLC, a subsidiary of First Hartford Corporation (“FHC”), a publicly traded company. At loan closing, the Developer will purchase the existing Borrower entity, TVM 2 Owner, LLC. FHRC Management Corporation, the property management entity, is a wholly owned subsidiary of FHC.

As part of Connolly’s due diligence, they bid out the construction and have selected Pariseault Builders, Inc. (“Pariseault”) as the General Contractor. The Developer has also refreshed the local permitting, which went stale, and consolidated the architectural drawings

to fully define the scope of the project. Since Revised Approval, total development costs (“TDC”) have increased by approximately \$1,250,000. Construction costs have increased slightly and contingency has increased from 5% to 9%. In addition, the Developer has capitalized a small lease-up reserve, and some soft costs have increased. In order to address the overall increase in costs, the Developer was able to increase their first mortgage and their deferred fee, and they were able to receive slightly higher credit pricing. The investor will be Bank of America, N.A. and/or its affiliates (“BOA”), and BOA will also provide the construction loan.

This RFA requests firm approval of a reservation of an amount not to exceed \$1,344,000 of 2024 and/or 2025 LIHTC, and firm approval of (i) a first mortgage loan in an amount not to exceed \$4,775,000, (ii) a HOME Loan in an amount not to exceed \$1,900,000, (iii) an HTF Loan in an amount not to exceed \$1,174,331, (iv) a RIRPF Loan in an amount not to exceed \$305,669, (v) a DAH-2 Loan in an amount not to exceed \$5,839,148, and (vi) a MIP Loan in an amount not to exceed \$214,730 for the Villages at Manville, 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 – The Villages at Manville

Preliminary _____

Firm X

Date: December 19, 2024

Project: New construction of 72 apartments located in three buildings. The unit mix includes 8 units at 30% AMI, 1 unit at 50% AMI, 48 units at 60% AMI, and 15 units at 80% AMI.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Connolly and Partners, LLC	Manchester, CT	Medium
Mortgagor	TVM 2 Owner, LLC	Manchester, CT	Low
Architect	Ed Wojcik Architect, Ltd.	Providence, RI	Low
Legal	Chace Ruttenberg & Freedman, LLP	Providence, RI	Low
Management Agent	FHRC Management Corporation	Manchester, CT	Low
General Contractor	Pariseault Builders, Inc.	Cranston, RI	Low
Consultant	NA		
Syndicator/Investor	Bank of America, N.A.	Boston, MA	Low

Executive Summary

Property Address	Bouvier Ave.	Lincoln, RI
Proposed Loan Amount(s) and Terms		
RIH 1 st Mortgage	\$4,775,000	7.50%, 40 years
HOME Loan	\$1,900,000	0%, 40 years
HTF Loan	\$1,174,331	0%, 40 years
RIRPF Loan	\$305,669	0%, 40 years
DAH-2 Loan	\$5,839,148	0%, 40 years
MIP Loan	\$214,730	0%, 40 years

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

Proposed Sources & Uses:

Sources	Revised 5-16-24		Delta	Firm 12-19-24	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,720,000	51,667	\$1,055,000	\$4,775,000	\$66,319
HOME	\$1,900,000	26,389	\$0	\$1,900,000	\$26,389
Housing Trust Fund (HTF)	\$1,174,331	16,310	\$0	\$1,174,331	\$16,310
RI Rebounds Production Fund (RIRPF)	\$305,669	4,245	\$0	\$305,669	\$4,245
Development of Affordable Housing (DAH-2)	\$5,839,148	81,099	\$0	\$5,839,148	\$81,099
Middle Income (MI)	\$214,730	2,982	\$0	\$214,730	\$2,982
Town	\$221,185	3,072	(\$221,185)	\$0	\$0
LIHTC Proceeds	\$12,094,669	167,982	\$268,890	\$12,363,559	\$171,716
Deferred Development Fee	\$400,122	5,557	\$147,313	\$547,435	\$7,603
Total Sources	\$25,869,854	359,304	\$1,250,018	\$27,119,872	\$376,665

Uses	Revised 5-16-24		Delta	Firm 12-19-24	
	Amount	Per Unit		Amount	Per Unit
Construction	\$18,119,312	\$251,657	\$425,462	\$18,544,774	\$257,566
Contingency	\$1,405,966	\$19,527	\$448,511	\$1,854,477	\$25,757
Acquisition	\$625,000	\$8,681	\$0	\$625,000	\$8,681
Soft Costs	\$1,833,985	\$25,472	\$483,583	\$2,317,568	\$32,188
Financing	\$1,905,161	\$26,461	(\$219,241)	\$1,685,921	\$23,416
Developer Fee	\$1,360,000	\$18,889	\$0	\$1,360,000	\$18,889
Operating Reserve	\$521,216	\$7,239	\$38,298	\$559,514	\$7,771
Lease Up Reserve	\$0	\$0	\$2,500	\$2,500	\$35
Replacement Reserve Year 1 Deposit	\$23,400	\$325	\$0	\$23,400	\$325
RET/Insurance/FFB Reserve	\$70,415	\$978	\$76,305	\$146,720	\$2,038
Total Uses	\$25,864,454	\$359,229	\$1,255,418	\$27,119,872	\$376,665

Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$486,618	6,759	(\$44,855)	\$441,763	\$6,136
Appraisal Cap Rate	6.15%			6.15%	
Valuation	\$7,900,000	109,722	(\$716,864)	\$7,183,136	\$99,766
Loan Principal	\$4,775,000	66,319		\$4,775,000	\$66,319
LTV	60.44%		6%	66.48%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$376,665	\$366,496 without Reserves
Residential Vacancy Rate	5% on affordable and 6% on market	
DCR Yr 1	1.17	
DCR Yr 15	1.26	
NOI	\$441,763	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	60%	May 2024 appraisal. BOA is commissioning its own appraisal on which RIHousing will be an intended user.
Initial Installment (%) of syndication proceeds	\$1,854,535	

Acquisition Price equal to or less than Appraised value	Yes	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$559,514	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$23,400	

Deviations from standard underwriting – None

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		Discount from Market Rent
				LIHTC Max Rent	% of LIHTC Max Rent	
1	30%	6	\$ 1,398.00	\$ 632.00	221%	25.8%
2	30%	2	\$ 1,693.00	\$ 759.00	223%	14.3%
2	50%	2	\$ 1,265.00	\$ 1,265.00	0%	33.6%
1	60%	6	\$ 1,265.00	\$ 1,265.00	0%	33.2%
2	60%	33	\$ 1,518.00	\$ 1,518.00	0%	23.6%
1	60%	4	\$ 1,265.00	\$ 1,265.00	0%	33.2%
2	60%	4	\$ 1,518.00	\$ 1,518.00	0%	23.6%
1	80% Non-LIHTC	2	\$ 1,677.00	\$ -	0%	10.3%
2	80% Non-LIHTC	13	\$ 1,765.00	\$ -	0%	10.4%
Total		72				22.4%

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, in May 2024, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2024 and/or 2025 (“LIHTC”) and preliminary approval of permanent financing;

Whereas, since preliminary approval the request for permanent financing from the Applicant listed below has increased to the following:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage
Connolly and Partners, LLC	The Villages at Manville	\$1,344,000	\$4,775,000

HOME Loan	HTF Loan	DAH-2 Loan	RI Rebounds Loan	MIP Loan
\$1,900,000	\$1,174,331	\$5,839,148	\$305,669	\$214,730

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 \$1,344,000 of allocated 2024 and/or 2025 LIHTC 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 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 Borrower complies with the requirements of the Act and the RIHousing Regulations.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$4,775,000 for a taxable first mortgage loan to the Borrower for rental housing to be located in Lincoln, Rhode Island and known as The Villages at Manville.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,900,000 for a HOME Investment Partnerships loan to the Borrower for rental housing to be located in

Lincoln, Rhode Island and known as The Villages at Manville.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,174,331 for a Housing Trust Fund loan to the Borrower for rental housing to be located in Lincoln, Rhode Island and known as The Villages at Manville.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$305,669 for a Rhode Island Rebounds Production Fund loan to the Borrower for rental housing to be located in Lincoln, Rhode Island and known as The Villages at Manville.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$5,839,148 for a Development of Affordable Housing- 2 loan to the Borrower for rental housing to be located in Lincoln, Rhode Island and known as The Villages at Manville.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$214,730 for a Middle Income Program loan to the Borrower for rental housing to be located in Lincoln, Rhode Island and known as The Villages at Manville.

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

- 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;
- Closing of a construction loan with Bank of America, N.A. in an amount sufficient to achieve project feasibility;
- Final approval of plans and specifications by RIHousing, as well as related construction documentation;
- Receipt and approval of all documentation RIHousing deems necessary to comply with the requirements of the Build America, Buy America Act;
- Approval by RIHousing of all management-related issues including the marketing and tenant selection plans;
- Confirmation from the Town of Lincoln that the entire development will be taxed at 8% of gross potential income;
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the as-stabilized value of the property; and a final market study demonstrating market feasibility in compliance with LIHTC requirements;
- Execution and delivery by the Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;

- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- FHA Risk-Sharing Program approval from the U.S. Department of Housing and Urban Development for a minimum of 50% of the first mortgage loan; and
- Completion of all items required for 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.