

**Request for Action
by
Board of Commissioners**

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

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for a reservation of 2024 and/or 2025 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,344,000 and preliminary approval of (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable first mortgage financing in an amount not to exceed \$3,720,000; (ii) a HOME Investments 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 Program 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 “MI Loan”) for The Villages at Manville in Lincoln, Rhode Island (hereinafter referred to as the “Development”). Dakota Partners, Inc. is the developer (the “Developer”). The Development initially received preliminary approval for financing from the Board of Commissioners in June 2022 (“Initial Preliminary Approval”) as well as additional funding awards in 2023; however, this RFA seeks approval of a revised reservation of LIHTC and revised preliminary approval of financing.

B. DISCUSSION

The Development is anticipated to contain 72 apartments located in two buildings. This is a mixed-income project with eight units affordable to households with incomes at or below 30% of area median income (“AMI”), one unit affordable to a household with an income at or below 50% of AMI, 48 units affordable to households with incomes at or below 60% of AMI, and 15 units affordable to households with incomes at or below 80% of AMI.

Since Initial Preliminary Approval, there have been no material design alterations, however, the plans have progressed to 90% construction documentation. This transaction was moving to closing in the second quarter of 2023 when the Development lost its syndicator due to the demise of Signature Bank. This set the Developer back, and the delay has resulted in higher construction pricing, lower syndication pricing, and changes at the corporate level.

The Developer recently closed on a corporate financial restructuring which involves winding down their in-house construction team to focus on their core expertise of affordable housing development. The Developer has engaged Campanelli out of Braintree, Massachusetts as the third-party general contractor for this project. In addition to industrywide construction cost increases, the engagement of a third-party construction firm has resulted in significant increased construction costs. Overall total development costs (“TDC”) have increased by approximately \$5,600,000 since Initial Preliminary Approval.

The Initial Preliminary Approval included a reservation of 2022 LIHTC, which requires that the project meet its Placed in Service (“PIS”) requirements by December 2024. Since this timeline is no longer feasible, RIHousing staff recommends the rescission of the 2022 LIHTC reservation and the revised reservation of 2024/2025 LIHTC contemplated herein to reset the PIS deadline. As part of its review of the 2024 LIHTC funding round, the funding committee, which is comprised of senior RIHousing staff and a member of the RIHousing Board of Commissioners, reviewed the status of this Development and approved the rescission and reallocation of the LIHTC.

Plans and specifications are permit ready; however, due to the stalled development process, some due diligence needs to be updated, construction financing needs to be secured, and syndication pricing must be finalized by the Developer to confirm the recent application and projections.

This RFA requests a reservation of 2024 and/or 2025 9% LIHTC in an amount not to exceed \$1,344,000 and preliminary approval of (i) RIHousing taxable permanent first mortgage financing in an amount not to exceed \$3,720,000, (ii) a HOME Loan in an amount not to exceed \$1,900,000, (iii) a 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 MI Loan in an amount not to exceed \$214,730, subject to certain conditions as set forth in the attached Resolution.

C. ATTACHMENTS

- A.** Credit Summary
- B.** Resolution

Attachment A

Credit Summary

Approval Loan Recommendation Summary – The Villages at Manville

Preliminary (Revised) X

Firm _____

Date: May 16, 2024

Project: New construction of 72 apartments located in two buildings. This is a mixed-income project with 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	Dakota Partners, Inc.	Waltham, MA	Medium
Mortgagor	TBD		
Architect	Ed Wojcik Architect, Ltd.		Low
Legal	Blish & Cavanagh, LLP	Providence, RI	Low
Management Agent	Wingate Management Company, LLC	Newton, MA	Low
General Contractor	Campanelli	Braintree, MA	Medium
Consultant	NA		
Syndicator	National Equity Fund, Inc.	Chicago, IL	Low

Executive Summary

Property Address	33 Division Street	Lincoln
Proposed Loan Amount(s) and Terms		
RIH 1 st Mortgage	\$3,720,000	7.75%, 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
MI Loan	\$214,730	0%, 40 years

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

Proposed Sources & Uses:

Sources	Preliminary (May 2023 round)		Delta	Current Request	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,485,000	\$48,403	\$235,000	\$3,720,000	\$51,667
HOME	\$1,900,000	\$26,389	\$0	\$1,900,000	\$26,389
Housing Trust Fund	\$1,174,331	\$16,310	\$0	\$1,174,331	\$16,310
Rhode Island Rebounds	\$305,669	\$4,245	\$0	\$305,669	\$4,245
DAH-2	\$1,728,817	\$24,011	\$0	\$1,728,817	\$24,011
DAH-2	\$0	\$0	\$4,110,331	\$4,110,331	\$57,088
Town	\$221,185	\$3,072	\$0	\$221,185	\$3,072
Middle Income Program	\$0	\$0	\$214,730	\$214,730	\$2,982
LIHTC Proceeds	\$10,827,917	\$150,388	\$1,266,752	\$12,094,669	\$167,982
Deferred Development Fee	\$576,843	\$8,012	(\$176,721)	\$400,122	\$5,557
Total Sources	\$20,219,762	\$280,830	\$5,650,092	\$25,869,854	\$359,304

Uses	Amount		Delta	Per Unit	
	Amount	Per Unit		Amount	Per Unit
Construction	\$13,762,299	\$191,143	\$4,357,013	\$18,119,312	\$251,657
Contingency	\$688,115	\$9,557	\$717,851	\$1,405,966	\$19,527
Acquisition	\$555,000	\$7,708	\$70,000	\$625,000	\$8,681
Soft Costs	\$1,684,345	\$23,394	\$149,640	\$1,833,985	\$25,472
Financing	\$1,601,202	\$22,239	\$303,959	\$1,905,161	\$26,461
Developer Fee	\$1,360,000	\$18,889	\$0	\$1,360,000	\$18,889
Operating Reserve	\$481,676	\$6,690	\$39,540	\$521,216	\$7,239
Replacement Reserve Year 1 Deposit	\$23,400	\$325	\$5,400	\$28,800	\$400
Other Reserves	\$63,725	\$885	\$6,690	\$70,415	\$978
Total Uses	\$20,219,762	\$280,830	\$5,650,092	\$25,869,854	\$359,304

Loan to Value Test:

	Appraisal (6/23)	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$461,062	6,404	(\$103,777)	\$357,285	\$4,962
Appraisal Cap Rate	6.00%			6.00%	
Valuation	\$7,684,367	106,727	(\$1,729,618)	\$5,954,748	\$82,705
Loan Principal	\$3,720,000	51,667		\$3,720,000	\$51,667
LTV	48.41%		14%	62.47%	

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$359,304	\$350,686 without Reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.18	
DCR Yr 15	1.18	
NOI	\$357,285	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	48.41%	Appraisal to be updated
Initial Installment (%) of syndication	15%	

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proceeds		
Acquisition Price equal to or less than Appraised value	Less than	
Operating Reserve (Amt and confirm consistency with UW requirements)	\$521,216	
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$28,800	\$400 per unit

Deviations from standard underwriting: None; however, RIHousing will need to commission an updated appraisal to confirm LTV is consistent with underwriting guidelines.

Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	Gross Rent as a		
				LIHTC Max Rent	% of LIHTC Max Rent	Discount from Market Rent
1	30%	5	\$ 1,171.00	\$ 576.00	203%	38.5%
1	30%	1	\$ 1,171.00	\$ 576.00	203%	38.5%
1	60%	7	\$ 1,152.00	\$ 1,152.00	0%	39.6%
1	60%	3	\$ 1,171.00	\$ 1,152.00	102%	41.7%
2	30%	2	\$ 1,409.00	\$ 691.00	204%	29.5%
2	50%	1	\$ 1,158.00	\$ 1,152.00	101%	43.0%
2	60%	5	\$ 1,383.00	\$ 1,383.00	0%	30.9%
2	60%	33	\$ 1,383.00	\$ 1,383.00	0%	30.9%
1	80% Non-LIHTC	2	\$ 1,558.00	\$ -	0%	17.0%
2	80% Non-LIHTC	13	\$ 1,751.80	\$ -	0%	11.2%
Total		72				29.0%

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,** Dakota Partners, Inc. (“Applicant”) was previously allocated 9% low-income housing tax credits (“LIHTC”) in 2022 and has requested a rescission and reallocation of LIHTC;
- Whereas,** staff for RIHousing has determined that Applicant is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** RIHousing intends to provide taxable loan funds for the purpose of financing qualified housing developments throughout the state;
- Whereas,** in June 2022, the RIHousing Board of Commissioners granted preliminary approval of taxable first mortgage financing to Applicant to acquire and/or rehabilitate the affordable housing to be known as The Villages at Manville (the “Development”);
- Whereas,** the Applicant has submitted an application to RIHousing for the reservation of LIHTC available in calendar year 2024 and is requesting revised preliminary approval of taxable first mortgage financing for the Development as set forth below:

Applicant	Development	9% LIHTC	RIHousing 1st Mortgage	HOME Loan
Dakota Partners, Inc.	The Villages at Manville	\$1,344,000	\$3,720,000	\$1,900,000

HTF Loan	DAH-2 Loan	RIRPF Loan	MI Loan
\$1,174,331	\$5,839,148	\$305,669	\$214,730

Whereas, the RIHousing Board of Commissioners and staff have reviewed the submission of Dakota Partners, Inc. 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 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

declares revised preliminary commitment for first mortgage financing for the Borrower in an amount not to exceed \$3,720,000 for rental housing known as The Villages at Manville located in Lincoln, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves revised preliminary commitment of a HOME Investment Partnerships Program loan to the Borrower in an amount not to exceed \$1,900,000 for rental housing known as The Villages at Manville to be located in Lincoln, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves revised preliminary commitment of a Housing Trust Fund loan to the Borrower in an amount not to exceed \$1,174,331 for rental housing known as The Villages at Manville to be located in Lincoln, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves revised preliminary commitment of a Development of Affordable Housing – 2 (“DAH-2”) loan to the Borrower in an amount not to exceed \$5,839,148 for rental housing known as The Villages at Manville to be located in Lincoln, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves revised preliminary commitment of a Rhode Island Rebounds Production Fund loan to the Borrower in an amount not to exceed \$305,669 for rental housing known as The Villages at Manville to be located in Lincoln, Rhode Island.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves revised preliminary commitment of a Middle Income Program loan to the Borrower in an amount not to exceed \$214,730 for rental housing known as The Villages at Manville to be located in Lincoln, Rhode Island.

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

- Final appraisal and market study 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 Town of Lincoln 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;

- Execution and delivery by the Borrower of a construction completion guaranty in in form and substance satisfactory to RIHousing and any other lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Approval of the proposed operating budget for the development;
- 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 firm approval are consistent with Borrower's application submission for 2024 LIHTC;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing; and
- Completion of all items required for firm commitment within 60 days of this approval and closing within 120 days of this approval 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, be and hereby are empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.