

**Request for Action**  
by  
**Board of Commissioners**

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

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for approval of a reservation of 2022 and/or 2023 Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$1,190,000, and preliminary approval of a taxable first mortgage loan in an amount not to exceed \$2,800,000, and a HOME Investment Partnerships Program (“HOME Program”) loan in the amount of \$1,900,000 for The Villages at Manville (the “Development” or “VM”), a 72-unit rental housing development to be located in Lincoln, Rhode Island. Dakota Partners, Inc. is the developer (“DPI” or the “Developer”).

The Development will be built on a vacant 5.26 acre in-fill site and will consist of three three-story garden-style walk-up residential buildings and a single-story clubhouse/community building. Of the 72 units, 57 will be affordable rental units, with 16 one-bedroom units and 41 two-bedroom units. The 15 market-rate units will consist of two one-bedroom units and 13 two-bedroom units. Eight of the affordable units will serve individuals and families whose incomes are at or below 30% AMI.

The Development’s estimated total development cost (“TDC”) in their application was lower than other proposals; given DPI’s history of underestimating TDC on prior funded proposals, staff paid particular attention to construction costs. Based on a review of the proposed plans and a comparison of previous DPI projects, staff was comfortable with the proposed costs given DPI’s identity of interest construction company. The market rate rents are currently proposed at approximately 80% of AMI and are lower than the actual market rates. Should DPI experience cost increases, it should be able to increase its amortizing loan to cover the costs. DPI expects that the construction loan will be provided by a lender affiliated with the tax credit investor.

The Funding Committee, which is comprised of senior staff and a member of the RIHousing Board of Commissioners, awarded the 3<sup>rd</sup> highest score to VM 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 (“QAP”).

DPI requested Housing Trust Funds (“HTF”). However, it did not receive an award of HTF due to an over-subscription of requests for the HTF program. DPI will need to apply for gap funds from another source such as Building Homes Rhode Island, RI Rebounds Production Fund or the Housing Production Fund.

Subject to certain conditions as set forth in the attached Resolution, this RFA requests approval of a reservation in an amount not to exceed \$1,190,000 of 2022 and/or 2023 LIHTC and preliminary approval of a first mortgage loan in an amount not to exceed \$2,800,000 and a HOME Program loan in the amount of \$1,900,000.

**C. ATTACHMENTS**

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

April 21, 2022

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

**Attachment A  
Credit Summary**

**Approval Loan Recommendation Summary – The Villages at Manville**

Preliminary   X  

Firm \_\_\_\_\_

Date: April 13, 2022

**Project:** New construction of 72 (57 affordable) apartments in Lincoln comprised of 18 one-bedroom and 54 two-bedroom units.

**Development Team**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Developer</b>	Dakota Partners, Inc.	Waltham, MA	Low
<b>Mortgagor</b>	TBD		
<b>Architect</b>	Ed Wojcik Architect, Ltd.	Providence, RI	Low
<b>General Contractor</b>	Dakota Partners, Inc.	Waltham, MA	Low
<b>Legal</b>	Blish & Cavanagh, LLP	Providence, RI	Low
<b>Management Agent</b>	Maloney Properties Inc.	Wellesley, MA	Low
<b>Consultant</b>	N/A		
<b>Syndicator</b>	Hunt Capital Partners, LLC	Encino, CA	Low

**Executive Summary**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	33 Division Street	Lincoln
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Taxable Loan		
Permanent Loan	\$2,800,000	5%, 40 Year
HOME Loan	\$1,900,000	AFR, 30 Year

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

**Proposed Sources & Uses:**

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$2,800,000	\$38,889
RIH HOME Loan	\$1,900,000	\$26,389
BHRI/RIRPF/HPF	\$1,480,000	\$20,556
LIHTC Proceeds	\$11,184,880	\$155,346
Deferred Fee	\$420,669	\$5,843
<b>Total Sources</b>	<b>\$17,785,549</b>	<b>\$247,022</b>

Uses	Preliminary	
	Amount	Per Unit
Construction	\$12,289,439	\$170,687
Contingency	\$614,472	\$8,534
Acquisition	\$550,000	\$7,639
Soft Costs	\$1,572,200	\$21,836
Financing	\$864,701	\$12,010
Developer Fee	\$1,360,000	\$18,889
Operating Reserve	\$430,337	\$5,977
Replacement Reserve Year 1 Deposit	\$36,000	\$500
Other Reserves	\$68,400	\$950
<b>Total Uses</b>	<b>\$17,785,549</b>	<b>\$247,022</b>

\$1,190,000 LIHTC @ \$.940/credit

**Underwriting Metrics:**

Metric	Amount	Comment
Total Development Cost Per Unit	\$247,022	\$239,595 less reserves
Residential Vacancy Rate	5% for affordable and 7% for Market	
DCR Yr 1	1.43	
DCR Yr 15	1.15	
NOI	\$232,326	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	Appraisal to be commissioned
Initial Installment (%) of syndication proceeds	20%	Based on preliminary LOI
Acquisition Price equal to or less than Appraised value	TBD	Appraisal to be commissioned

Operating Reserve (Amt and confirm consistency with UW requirements)	<b>\$430,337</b>	<b>Above six months of OpEx &amp; Debt Service</b>
Replacement Reserve (Amt and confirm consistency with UW requirements)	<b>\$36,000</b>	<b>\$400 per unit</b>

**Deviations from standard underwriting – None.**

### **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%	6	\$ 486.00	\$ 486.00	0%	75.8%
1	60%	10	\$ 973.00	\$ 973.00	0%	49.0%
2	30%	2	\$ 584.00	\$ 584.00	0%	72.6%
2	60%	8	\$ 1,148.00	\$ 1,168.00	98%	39.7%
2	60%	31	\$ 1,168.00	\$ 1,168.00	0%	41.8%
1	Over 120%	2	\$ 1,300.00	\$ -	0%	31.0%
2	Over 120%	13	\$ 1,564.00	\$ -	0%	20.9%
<b>Total</b>		<b>72</b>				<b>42.2%</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,** 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 Dakota Partners, Inc. (“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 credits (“LIHTC”) available in calendar year 2022 and/or 2023 as follows:

<b>Applicant</b>	<b>Development</b>	<b>9% LIHTC</b>	<b>RIHousing 1<sup>st</sup> Mortgage</b>	<b>HOME Program</b>
Dakota Partners, Inc.	The Villages at Manville	\$1,190,000	\$2,800,000	\$1,900,000

- 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 \$1,190,000 of allocated 2022 and/or 2023 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 Development each acting singly, are hereby empowered and directed to take any and all actions they deem 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 preliminary commitment of up to \$2,800,000 for a taxable first mortgage loan to the Borrower for rental housing known as The Villages at Manville to be located in Lincoln, Rhode.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby approves 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 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;
- A final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating that the purchase price is supported and market oriented and the first mortgage loan does not exceed 90% of the as-stabilized value of the property;
- Final approval of plans and specifications by RIHousing, as well as related

- construction documentation;
- Approval by RIHousing of all management related issues including the marketing and tenant selection plans;
  - Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any lender;
  - Confirmation by RIHousing that the final development budget, schedule, and unit configuration presented for approval is consistent with Borrower's application submission for 2022 LIHTC;
  - Satisfactory and timely performance in accordance with the schedule established by RIHousing staff;
  - Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
  - FHA Risk-Sharing Program approval from HUD for a minimum of 50% of the first mortgage; 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.