

**Request for Action  
by  
Board of Commissioners**

**Firm Approval of Financing for Bernon Mills**

**A. PROJECT SUMMARY**

This Request for Action (“RFA”) is for firm approval of: (i) Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt financing in an amount not to exceed \$13,000,000; (ii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$2,790,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$300,000; (iv) a Community Revitalization Program (“CRP”) grant in an amount not to exceed \$1,838,250; and (v) a Rhode Island Rebounds Production Fund (“RI Rebounds”) Loan in an amount not to exceed \$500,000 for Bernon Mills (hereinafter referred to as “BM or the “Development”). Brisa Ventures LLC is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 19, 2022 and May 18, 2023 (“Preliminary Approval”).

BM is a historic mill located in Woonsocket, which will be redeveloped into 60 units of rental housing. Utilizing income averaging, all units will be restricted to households with incomes at or below 80% of Area Median Income (“AMI”). There will be a mix of efficiency, one-bedroom, and two-bedroom units. The Development is receiving five HUD Section 811 vouchers from RIHousing.

BM is recorded as Woonsocket Company Mill Complex on the National Register of Historic Places and was originally built in 1827 for the manufacturing of cotton by the Russell Manufacturing Company. Prior to Developer’s involvement, BM went through several failed redevelopment attempts including an effort to bring the Mills back to manufacturing use and, most recently, a 2012 condominium redevelopment that was abandoned and left incomplete by the previous developer due to financial hardship.

BM consists of three historic buildings, two of which are in very poor condition primarily due to water infiltration, a collapsing and exposed roof, missing and broken windows, and deteriorating mortar between the exterior granite walls. The third building is a partially finished condominium building with 12 occupied units that were converted to rentals several years ago. Since Preliminary Approval, construction costs have increased, and the Developer has undertaken value engineering to address these escalating costs. To pay for the escalations, the Developer was able to secure an increase in LIHTC credit pricing to generate an additional \$1,500,000 in credits and they are also leveraging additional amortizing debt. In addition, the Developer secured a CRP grant in May 2023 to replace state historic tax credit equity which was lost due to changes in the state historic tax credit program that required prevailing wages.

The proposed capital structure for BM will consist of proceeds from the tax-exempt financing, sale of 4% low-income housing credits (“LIHTCs”), Building Homes Rhode

Island Funds (“BHRI”) previously awarded by the State of Rhode Island Housing Resources Commission, HPF funding, CMF Funding, RI Rebounds funding, a CRP grant, Federal Historic Tax Credit equity, a sponsor loan, and a deferred developer fee.

The Developer has secured construction and permanent financing through Bank of America (“BOA”). BOA will purchase the tax-exempt bonds issued by RIHousing in a Private Placement through BOA’s “End-to-End” program. The loan will be non-recourse to RIHousing with BOA assuming all financial risk.

Alliant Capital LLC will be the syndicator and is paying \$0.95 per credit, which constitutes an increase of \$1,497,190 of total LIHTC equity proceeds since Preliminary Approval.

This RFA requests firm approval of (i) \$13,000,000 in tax-exempt financing (ii) a HPF Loan in an amount not to exceed \$2,790,000; (iii) a CMF Loan in an amount not to exceed \$300,000; (iv) a CRP grant in an amount not to exceed \$1,838,250; and (v) a RI Rebounds Loan in an amount not to exceed \$500,000 for Bernon Mills, subject to certain conditions as set forth in the attached Resolutions.

**B. ATTACHMENTS**

- A. Credit Summary
- B. Resolution

**Attachment A**

**Approval Loan Recommendation Summary – Bernon Mills**

Preliminary \_\_\_\_\_

Firm  X

Date: June 15, 2023

**Project:** Historic mill conversion of 60 affordable apartments in Woonsocket comprised of 19 efficiency, 30 one-bedroom, and 11 two-bedroom units.

**Development Team:**

	<b>Name</b>	<b>Location (city/state)</b>	<b>Risk Rating (low/med/high)</b>
<b>Sponsor/Developer</b>	Brisa Ventures LLC and ADC Communities II, LLC	Brooklyn, NY/Woodland Hills, CA	Medium (No previous RI experience)
<b>Mortgagor</b>	Brisa Bernon Mills, LP	Brooklyn, NY	Medium (No previous RI experience)
<b>Architect</b>	DBVW Architects, Inc.	Providence, RI	Low
<b>General Contractor</b>	Pezzuco Construction, Inc.	Cranston, RI	Low
<b>Legal</b>	Nixon Peabody LLP	Providence, RI	Low
<b>Management Agent</b>	First Realty Management Corporation	Boston, MA	Low
<b>Syndicator</b>	Alliant Capital Management, LLC	Woodland Hill, CA	Low

**Executive Summary:**

	<b>Address</b>	<b>City</b>
<b>Property Address</b>	115-119 Front Street	Woonsocket
<b>Proposed Loan Amount(s) and Terms</b>		
	<b>Amount</b>	<b>Interest rate/Term</b>
Tax Exempt Conduit Financing	\$13,000,000	
BOA Construction/Bridge Loan	\$10,672,242	6.92%, 30 months
BOA Permanent Loan	\$2,327,758	6.50%, 40 years 18 year balloon
HPF Loan	\$2,790,000	0%, 42 years
RI Rebounds Loan	\$500,000	0%, 42 years

CRP grant	\$1,838,250	N/A
CMF Loan	\$300,000	1%, 42 years

Note: Interest rates are subject to change based on market conditions and deal specifics  
RIHousing is not currently designated as the permanent lender.

### Proposed Sources & Uses:

Sources	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
BOA First Mortgage	\$2,160,000	\$36,000	\$167,758	\$2,327,758	\$38,796
Building Homes Rhode Island	\$4,000,000	\$66,667	\$0	\$4,000,000	\$66,667
Sponsor Loan	\$0	\$0	\$200,363	\$200,363	\$3,339
RI Rebounds	\$0	\$0	\$500,000	\$500,000	\$8,333
Housing Production Fund	\$0	\$0	\$2,790,000	\$2,790,000	\$46,500
Capital Magnet Fund	\$0	\$0	\$300,000	\$300,000	\$5,000
Community Revitalization Program	\$0	\$0	\$1,838,250	\$1,838,250	\$30,638
LIHTC Proceeds	\$8,372,486	\$139,541	\$1,497,190	\$9,869,676	\$164,495
Fed. Historic Tax Credit Proceeds	\$3,994,344	\$66,572	\$115,019	\$4,109,363	\$68,489
State Historic TC Proceeds	\$1,838,250	\$30,638	(\$1,838,250)	\$0	\$0
HOME Funds (Woonsocket)	\$500,000	\$8,333	(\$500,000)	\$0	\$0
RIRPF/HPF	\$3,594,178	\$59,903	(\$3,594,178)	\$0	\$0
Deferred Developer Fee	\$307,261	\$5,121	\$931,456	\$1,238,717	\$20,645
<b>Total Sources</b>	<b>\$24,766,519</b>	<b>\$412,775</b>	<b>\$2,407,608</b>	<b>\$27,174,127</b>	<b>\$452,902</b>

Uses	Preliminary		Delta	Firm	
	Amount	Per Unit		Amount	Per Unit
Construction	\$14,892,000	\$248,200	\$1,277,101	\$16,169,101	\$269,485
Contingency	\$1,116,900	\$18,615	\$176,628	\$1,293,528	\$21,559
Acquisition	\$2,659,960	\$44,333	(\$849,325)	\$1,810,635	\$30,177
Soft Costs	\$2,249,318	\$37,489	\$260,132	\$2,509,450	\$41,824
Financing	\$1,303,091	\$21,718	\$313,895	\$1,616,986	\$26,950
Developer Fee	\$1,134,000	\$18,900	\$1,222,270	\$2,356,270	\$39,271
Operating Reserve	\$315,750	\$5,263	\$27	\$315,777	\$5,263
Replacement Reserve Year 1 Deposit	\$19,500	\$325	\$0	\$19,500	\$325
Other Reserves	\$1,076,000	\$17,933	\$6,880	\$1,082,880	\$18,048
<b>Total Uses</b>	<b>\$24,766,519</b>	<b>\$412,775</b>	<b>\$2,407,608</b>	<b>\$27,174,127</b>	<b>\$452,902</b>

\$1,039,017 LIHTC @ \$.95/credit

TDC is \$429,266 per unit net of reserves.

### Loan to Value Test:

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$282,255	\$4,704	(\$37,357)	\$244,898	\$4,082
Appraisal Cap Rate	6.15%			6.15%	
Valuation	\$4,600,000	\$76,667	(\$617,922)	\$3,982,078	\$66,368
Loan Principal	\$2,327,758	\$38,796		\$2,327,758	\$38,796
LTV	50.60%		8%	58.46%	

**Underwriting Metrics:**

<b>Metric</b>	<b>Amount</b>	<b>Comment</b>
Total Development Cost Per Unit	\$452,902	\$429,266 without reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.50	
DCR Yr 15	1.47	
NOI	\$244,298	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	50.6%	
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	Yes	\$1.8MM vs appraised as-is \$3.1MM
Operating Reserve (Amt and confirm consistency with UW requirements)	\$315,777	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$19,500	\$325 per unit

**Deviations from standard underwriting – Yes**

Fails Part 2 of the Bridge Loan Test – This is a tax-exempt transaction. The Bridge Loan is sized at the minimum amount required to ensure that 50% of the aggregate basis of the project is funded with tax-exempt bond proceeds as required by the applicable tax code provisions. However, this is a conduit loan so RIHousing has no financial risk.

The cost per unit has slightly risen beyond the 2023 QAP cost per unit cap. Approximately 60% of the costs increases can be attributed to industry wide construction cost escalations. Our construction team has evaluated the current proposed schedule of values and determined that the current pricing is consistent with pricing on other similar deals.

## Unit Distribution and Revenue:

Unit	Rent Type	Number of Units	Gross Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent	Discount from Market Rent
EFF	40%	5	\$ 677.00	\$ 677.00	0%	44.1%
EFF	20%	5	\$ 913.00	\$ 338.00	270%	22.6%
EFF	60%	3	\$ 1,015.00	\$ 1,015.00	0%	13.3%
EFF	60%	3	\$ 1,015.00	\$ 1,015.00	0%	13.3%
EFF	80% LIHTC	3	\$ 1,212.00	\$ 1,354.00	90%	-4.8%
1	60%	21	\$ 1,088.00	\$ 1,088.00	0%	28.0%
1	80% LIHTC	9	\$ 1,384.00	\$ 1,451.00	95%	6.8%
2	40%	3	\$ 871.00	\$ 871.00	0%	54.7%
2	60%	8	\$ 1,306.00	\$ 1,306.00	0%	29.1%
<b>Total</b>		<b>60</b>				<b>24.1%</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 tax-exempt bonds at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;
- Whereas,** in May 2022, the RIHousing Board of Commissioners granted preliminary approval of tax-exempt mortgage financing to Brisa Ventures LLC (“Applicant”) listed below 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>RI Rebounds</u>	<u>HPF</u>	<u>CMF</u>	<u>CRP</u>
Bernon Mills	Brisa Ventures LLC	\$13,000,000	\$500,000	\$2,790,000	\$300,000	\$1,838,250

- 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 Brisa Bernon Mills, LP or an affiliated entity of the Applicant (the “Borrower”) in an amount not

to exceed \$13,000,000 for rental housing known as Bernon Mills located in Woonsocket 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 \$13,000,000 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, in order to fund the loan to the Development, RIHousing may enter into a loan arrangement with Bank of America (the “Bank of America Loan”), substantially in accordance with the terms outlined in a Request for Action to be presented to the RIHousing Board of Commissioners in a future meeting.

**Resolved,** that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of RIHousing of all such other agreements, documents, and instruments and the performance by RIHousing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by RIHousing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate, or advisable, each such determination pursuant to the immediately preceding clauses to be conclusively evidenced by the taking of such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by RIHousing, approved in all respects by the Board of Commissioners.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Housing Production Fund Loan to Borrower in an amount not to exceed \$2,790,000 for rental housing known as Bernon Mills located in Woonsocket.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Capital Magnet Fund Loan to Borrower in an amount not to exceed \$300,000 for rental housing known as Bernon Mills located in Woonsocket.



**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a Community Revitalization Program grant to Applicant in an amount not to exceed \$1,838,250 for rental housing known as Bernon Mills located in Woonsocket.

**Resolved,** that, subject to the special conditions listed below, RIHousing hereby grants firm approval for a RI Rebounds Loan to Borrower in an amount not to exceed \$500,000 for rental housing known as Bernon Mills located in Woonsocket.

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

- Syndication proceeds from sale of 4% LIHTCs in an amount sufficient to ensure development feasibility;
- Approval of the five HUD 811 vouchers from RIHousing;
- Final approval by RIHousing of construction plans, specifications, and supporting construction documentation;
- Approval by RIHousing of management documentation;
- Execution and delivery by the Developer of a construction completion guaranty in form and substance satisfactory to RIHousing by ADC Communities, ADC Communities II, and Brisa Ventures, LLC;
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to RIHousing;
- Recordation of a Community Revitalization Program Deed Restriction in form acceptable to RIHousing;
- Evidence of approval of Income-Averaging from the Tax Credit Investor;
- RIHousing Board of Commissioners approval of the conduit loan arrangement with Bank of America;
- RIHousing approval of all Bank of America Loan documents;
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements; and

**Resolved,** that the Executive Director, the 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.