

**Request for Action
by
Board of Commissioners**

Preliminary Approval of Financing for Rock Ridge Apartments (Woonsocket)

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for preliminary approval of a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) tax-exempt loan in an amount not to exceed \$30,000,000, and a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$999,000 for Rock Ridge Apartments (the “Development”). The BLVD Group, LLC (“BLVD” or the “Developer”) is the developer.

B. DISCUSSION

Rock Ridge Apartments is an existing 152-unit property located in Woonsocket. Originally built in 1971 and financed under the Section 236 program, the Development was refinanced in 2001 with 9% low-income housing tax credits (“LIHTC”) and financing from RIHousing. In 2019, the property was purchased by an affiliate of BLVD and the RIHousing loan was prepaid. 73% of the units are currently covered by a project-based Section 8 Housing Assistance Payments (“HAP”) agreement, and RIHousing is the HAP contract administrator. The Developer is seeking a new 20-year Section 8 HAP agreement.

The Development consists of 14 two-story buildings that contain six to twenty living units, with a separate 15th building that serves as a community building. A new limited partnership, consisting of an affiliate of the Developer as the general partner and a syndicator-sponsored tax credit fund as the limited partner, will purchase and renovate the Development.

Although the Development is in fair condition, the project will benefit from significant rehabilitation to windows, siding, roofing, amenities, unit interiors, and updated building systems with a special emphasis on energy efficiency. The current renovation budget including contingency is \$93,000 per unit. BLVD has completed a capital needs assessment (“CNA”) and Phase 1 Environmental Site Assessment as part of their due diligence, all of which will inform the final scope of work. The current construction budget includes all the required items identified in the CNA, including those items that were projected to be addressed over the 10 years following acquisition. The scope of work includes:

- Exterior:* Roofs, windows, siding, entry doors, and exterior lighting
- Mechanical:* New boilers and hot water heaters, upgraded plumbing/fixtures,
 upgraded electrical service, fire alarm panel replacement, and security
 systems upgrades
- Interior:* Common area upgrades and complete unit rehabilitation

RIHousing will review all reports and will approve the final scope of work prior to firm commitment.

The Developer currently engages Barkan Management Company, Inc. (“Barkan”) as its

management agent. There is no identity of interest between the firms. Barkan currently manages the Developer's other Rhode Island properties.

Financing:

The total Development cost is approximately \$50,600,000. In addition to the tax-exempt loan and CMF Loan being approved herein, the primary sources of financing are anticipated to include equity from the sale of LIHTCs, a Green and Resilient Retrofit Program ("GRRP") grant, a seller loan, energy tax credits, and a deferred developer fee. The Developer has requested that RIHousing provide conduit tax-exempt financing. It is expected that JLL Real Estate Capital, LLC ("JLL") will be the Delegated Underwriting and Servicing ("DUS") lender and will sell the loan to Fannie Mae under its MBS as Tax-Exempt Bond Collateral (M.TEB) program. JLL will be the lender of record and loan servicer. Similar to a private placement, JLL, and subsequently Fannie Mae, will bear all financial risk should the borrower default on the loan.

JLL, as DUS lender, has provided a preliminary term sheet. The final sizing of the mortgage will be limited to 80% LTV with a debt service coverage of 1.15. The Developer will pay the full cost of issuance and all RIHousing fees associated with the transaction. RIHousing will charge a one-time issuer fee of 1% and an annual servicing fee of 25 basis points on the loan.

By this RFA, staff recommends the attached resolutions providing preliminary approval of (i) a tax-exempt loan in the amount of \$30,000,000 and (ii) a Capital Magnet Fund Loan of up to \$999,000 for Rock Ridge Apartments, subject to certain conditions as set forth therein.

C. ATTACHMENTS

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

Attachment A

Credit Summary

Approval Loan Recommendation Summary – Rock Ridge Apartments

Preliminary X

Firm _____

Date: June 20, 2024

Project: Acquisition and rehabilitation of an existing 152-unit property located in Woonsocket, of which 111 units are subsidized by a Housing Assistance Payment (“HAP”) Contract

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	The BLVD Group, LLC	Los Angeles, CA	Low
Mortgagor	TBD		
Architect	David Presbrey Architects, A Corporation	Providence, RI	Low
Legal	Cox, Castle & Nicholson LLP	San Francisco, CA	Low
Management Agent	Barkan Management Company, Inc.	Newton, MA	Medium
General Contractor	TBD		
Syndicator	Boston Financial Investment Management	Boston, MA	Low

Executive Summary

	Address	City
Property Address	121 Rockridge Drive	Woonsocket
Proposed Loan Amount(s) and Terms		
	Amount	Interest rate/Term
Tax Exempt Loan	\$30,000,000	6.35%*; 2-year construction; 40-year term with a 17-year balloon on the perm debt
CMF Loan	\$999,000	1%/40 Years

*Interest rate on the conduit loan will be determined by JCC and Fannie Mae

Proposed Sources & Uses:

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$21,006,424	138,200
Capital Magnet Fund	\$999,000	6,572
Seller Loan	\$7,000,000	46,053
LIHTC Proceeds	\$14,953,769	98,380
Other Equity	\$439,831	2,894
Deferred Development Fee	\$5,211,429	34,286
GRRP Elements	\$750,000	4,934
Total Sources	\$50,360,453	331,319
Uses	Amount	Per Unit
Construction	\$13,032,620	\$85,741
Contingency	\$1,176,062	\$7,737
Acquisition	\$22,110,000	\$145,461
Soft Costs	\$3,019,932	\$19,868
Financing	\$2,550,110	\$16,777
Developer Fee	\$6,283,309	\$41,338
Operating Reserve	\$1,671,428	\$10,996
Lease Up Reserve	\$278,571	\$1,833
Other Reserves	\$238,422	\$1,569
Total Uses	\$50,360,453	\$331,319

Note: The tax-exempt loan of \$30,000,000 includes both the permanent and construction components. The permanent loan is currently anticipated to be about \$21,000,000.

Underwriting Metrics:

Metric	Amount	Comment
Total Development Cost Per Unit	\$331,319	\$316,921 net of reserves
Residential Vacancy Rate	5%	
DCR Yr 1	1.20	
DCR Yr 15	1.35	
NOI	\$1,739,288	
Income Trending	2%	
Expense Trending	3%	
Loan to Value	TBD	
Initial Installment (%) of syndication proceeds	25%	
Acquisition Price equal to or less	TBD	JLL to commission an

than Appraised value		appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$1,671,591	
Replacement Reserve (Amt and confirm consistency with UW requirements)	TBD	Per JLL Term Sheet, RR capital deposit subject to Capital Needs Assessment

Deviations from standard underwriting – To be determined once deposit to Replacement Reserve is determined. JLL and subsequently Fannie Mae will assume all financial risk.

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
1	60%	7	\$ 1,950.00	\$ 1,152.00	169%	0.0%
2	60%	11	\$ 2,340.00	\$ 1,383.00	169%	0.0%
3	60%	9	\$ 2,620.00	\$ 1,597.00	164%	0.0%
1	60%	15	\$ 1,950.00	\$ 1,152.00	169%	0.0%
2	60%	34	\$ 2,340.00	\$ 1,383.00	169%	0.0%
3	60%	35	\$ 2,620.00	\$ 1,597.00	164%	0.0%
1	60%	13	\$ 1,152.00	\$ 1,152.00	0%	0.0%
2	60%	21	\$ 1,383.00	\$ 1,383.00	0%	0.0%
3	60%	6	\$ 1,597.00	\$ 1,597.00	0%	0.0%
1	60%	1	\$ -	\$ 1,152.00	0%	0.0%
Total		152				0.0%

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,** RIHousing intends to issue tax-exempt bonds for 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 also authorized to issue tax exempt conduit financing at an economically acceptable rate to promote the acquisition, rehabilitation, or preservation of affordable housing;
- Whereas,** The BLVD Group, LLC (“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>CMF Loan</u>
Rock Ridge Apartments	The BLVD Group, LLC	\$30,000,000	\$999,000

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 financing mortgage financing for the Applicant or other affiliated entity of the Applicant (the “Borrower”) in an amount not to exceed \$30,000,000 for rental housing known as Rock Ridge Apartments located in Woonsocket, 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 \$30,000,000 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 JLL Real Estate Capital, LLC (“JLL”) substantially in accordance with the terms outlined in the Request for Action to which this resolution is attached.

Resolved, that the Executive Director, Deputy Executive Director or the Director of Finance (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with JLL as it may require to evidence the JLL loan, including, without limitation, a funding loan agreement, note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof 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 of RIHousing.

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 (i) and (ii) to be conclusively evidenced by the taking of any 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 preliminary approval for a Capital Magnet Fund Loan to Borrower, in an amount not to exceed \$999,000 for rental housing known as Rock Ridge Apartments located in Woonsocket, Rhode Island.

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

- Final appraisal acceptable to RIHousing prepared by an independent appraiser demonstrating support for the acquisition price and that the first mortgage loans do not exceed 80% of the as-is value of the Development 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;

- Final approval of a new 20 year Section 8 Project-Based HAP contract;
- Receipt and approval of third-party reports including CNA and Phase I Environmental Report;
- Approval by bond counsel that the proposed conduit loan will satisfy all required bond requirements;
- RIHousing approval of all JLL loan documents;
- Execution and delivery by the Borrower of a construction completion guaranty in form and substance satisfactory to RIHousing and any other lender;
- Approval by RIHousing of design and construction plans, specifications and construction documentation;
- Approval by RIHousing of all management related documentation, including the marketing and tenant selection plans;
- 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 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.