

**Request for Action
by
Board of Commissioners**

**Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and
Financing for Rosebrook Commons (Middletown)**

A. PROJECT SUMMARY

This Request for Action (“RFA”) is for firm approval of the reservation of up to \$1,088,685 of 2023 9% Low-Income Housing Tax Credits (“LIHTC”), as well as firm approval of (i) a Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) taxable leasehold first mortgage loan in an amount not to exceed \$3,700,000; (ii) a HOME Investment Partnerships Program loan of \$1,000,000 (the “HOME Loan”), (iii) a Development of Affordable Housing 2 Program loan of \$8,456,500 (the “DAH-2 Loan”), and (iv) a Middle Income Program loan of \$1,112,538 (the “MI Loan”) for Rosebrook Commons (the “Development”), a 64-unit affordable housing development to be located in Middletown, Rhode Island. Mesolella Development Corp. is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

Rosebrook Commons is a proposed mixed-income, mixed-use development located at 1747 West Main Road in Middletown that will be developed in two phases. Phase I, the subject of this RFA, consists of two buildings comprised of 64 residential units and 21,050 square feet of commercial space on the ground floor. Of the 64 units, 51 will be LIHTC units, and the remaining 13 units are slated as middle income units with rents up to 100% of area median income (“AMI”). The unit sizes vary from one bedroom to three bedrooms. Of the 51 LIHTC units, 13 will be affordable to households with incomes below 30% of AMI and 38 will be affordable to households with incomes below 60% of AMI. The Developer was previously awarded HPF-ELI funds to provide operating support for the 30% AMI units.

The Development will be condominiumized so that the commercial space will be a separate condo from the residential units and will, therefore, be financed separately. Accordingly, the commercial space is broken out in the sources and uses contemplated herein so as to capture the full cost of building out the project. The entire Development has been granted a Comprehensive Permit and received final plan approval from the Middletown Planning Board on January 9, 2023.

Since Preliminary Approval in May 2023, interest rates have increased, and the Development has incurred significant increases in construction costs. The overall total development cost has increased by approximately \$5,627,500. To help address this increase, the RIHousing Board of Commissioners awarded additional DAH-2 and Middle Income Program funding on March 28, 2024. The additional funding is contingent upon completion of standard underwriting and closing by July 31, 2024, as well as final approval of Priority Projects Fund funding from the Department of Housing in an amount sufficient to complete the capital stack.

The collective capital stack for the residential portion of the Development is anticipated to consist of (i) the permanent loan from RIHousing (ii) the HOME Loan, (iii) DAH-2 Loan, (iv) the MI Loan, (v) Priority Projects Fund funding, (vi) 9% LIHTC equity, (vii) owner equity, and (viii) a deferred developer fee. Since Preliminary Commitment, the Developer has selected Boston Financial Investment Management (“BFIM”) as the syndicator and Citizens Bank, N.A. (“Citizens Bank”) as the construction lender.

This RFA requests firm approval of a reservation of up to \$1,088,685 of 2023 9% LIHTC, as well as firm approval of a first mortgage loan in an amount not to exceed \$3,700,000, a HOME Loan of \$1,000,000, a DAH-2 Loan of \$8,456,500, and a MI Loan of \$1,112,538, 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 – Rosebrook Commons

Preliminary _____

Firm X

Date: May 16, 2024

Project: Rosebrook Commons is a mixed-use, mixed-income project located in Middletown, Rhode Island, which will be comprised of 64 newly constructed residential units and two ground floor commercial units that will serve the residents of the project.

Development Team

	Name	Location	Risk Rating
Sponsor/Developer	Mesoella Development Corp.	Providence	Med
Mortgagor	Rosebrook Commons I, LLC	Middletown	Med
Architect	Branch Architects LLC	Providence	Low
Legal	Chace Rutenberg & Freedman, LLP	Providence	Low
General Contractor	Trac Builders, Inc.	Providence	Low
Management Agent	Phoenix Property Management, Inc.	Warwick	Med
Consultant	Barbara Sokoloff Associates, Inc.	Providence	Low
Syndicator	Boston Financial Investment Management	Boston	Low

Executive Summary

	Address	City
Property Address	1747 West Main Road	Middletown
Proposed Loan Amount(s) and Terms		
	Amount	Interest Rate/Term
RI Housing Permanent 1 st Mortgage Taxable Loan (FFB)	\$3,700,000	7.25%/30 Years
HOME Loan	\$1,000,000	0%/30 Years
DAH-2 Loan	\$8,456,500	1%/30 Years
MI Loan	\$1,112,538	0%/30 Years

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

Proposed Sources & Uses:

Sources	Preliminary - Residential only		Delta	Firm - Residential & Commercial		
	Amount	Per Unit		Residential	Commercial	Per Unit - Residential
RIH First Mortgage	\$3,659,000	57,172	\$41,000	\$3,700,000	\$0	\$57,813
Commercial Loan	\$0	0	\$0	\$0	\$3,988,865	\$0
RIH HOME Loan	\$1,000,000	15,625	\$0	\$1,000,000	\$0	\$15,625
DAH-2	\$6,000,000	93,750	\$2,456,500	\$8,456,500	\$0	\$132,133
Middle Income Program	\$960,000	15,000	\$152,538	\$1,112,538	\$0	\$17,383
Priority Projects Fund	\$0	0	\$2,456,500	\$2,456,500	\$0	\$38,383
LIHTC Proceeds	\$9,688,328	151,380	\$0	\$9,688,328	\$0	\$151,380
Other Equity	\$0	0	\$0	\$0	\$1,329,655	\$0
Deferred Development Fee	\$0	8,750	\$562,000	\$562,000	\$0	\$8,781
Total Sources	\$21,307,328	332,927	\$5,668,538	\$26,975,866	\$5,318,520	\$421,498
Uses	Amount	Per Unit	Delta	Residential	Commercial	Per Unit - Residential
Construction	\$14,872,841	\$232,388	\$5,267,559	\$20,140,400	\$4,773,255	\$314,694
Contingency	\$1,041,099	\$16,267	\$368,729	\$1,409,828	\$334,128	\$22,029
Acquisition	\$800,000	\$12,500	\$0	\$800,000	\$0	\$12,500
Soft Costs	\$1,450,639	\$22,666	\$16,689	\$1,467,328	\$211,104	\$22,927
Financing	\$1,284,434	\$20,069	\$15,155	\$1,299,589	\$0	\$20,306
Developer Fee	\$1,339,800	\$20,934	\$0	\$1,339,800	\$0	\$20,934
Operating Reserve	\$425,195	\$6,644	\$0	\$425,195	\$0	\$6,644
Replacement Reserve Year 1 Deposit	\$20,800	\$325	\$0	\$20,800	\$0	\$325
Other Reserves	\$72,520	\$1,133	\$406	\$72,926	\$0	\$1,139
Total Uses	\$21,307,328	\$332,927	\$5,668,537	\$26,975,865	\$5,318,487	\$421,498

\$1,088,685 LIHTC @ \$0.89

Loan to Value Test (Residential Only):

	Appraisal	Per Unit	Variance	Current UW	Per Unit
NET OPERATING INCOME	\$350,688	5,480	(\$690)	\$349,998	\$5,469
Appraisal Cap Rate	6.30%			6.30%	
Valuation	\$5,566,476	86,976	(\$10,954)	\$5,555,522	\$86,805
Loan Principal	\$3,659,000	57,172		\$3,659,000	\$57,172
LTV	65.73%		0%	65.86%	

Underwriting Metrics (Residential Only):

Metric	Amount	Comment
Total Development Cost Per Unit	\$421,498	\$413,498 net reserves
Residential Vacancy Rate	7.00%	
DCR Yr 1	1.16	
DCR Yr 15	1.29	
NOI	\$349,998	
Income Trending	2.0%	
Expense Trending	3.0%	
Loan to Value	65.73%	Per appraisal
Initial Installment (%) of syndication proceeds	15%	
Acquisition Price equal to or less than Appraised value	Yes	Confirmed via “as-is” appraisal
Operating Reserve (Amt and confirm consistency with UW requirements)	\$425,195	Equal to six months OpEx & Debt Service
Replacement Reserve (Amt and confirm consistency with UW requirements)	\$20,800	\$325 per unit

Deviations from standard underwriting – None

Unit Distribution and Revenue

Unit	Rent Type	Number of Units	Gross Rent	Net Rent	LIHTC Max Rent	Gross Rent as a % of LIHTC Max Rent	Discount from Market Rent
1	30%	13	\$ 1,093.00	\$ 960.00	\$ 694.00	157%	0.0%
1	60%	21	\$ 1,312.00	\$ 1,179.00	\$ 1,389.00	94%	0.0%
1	100%	8	\$ 1,438.00	\$ 1,305.00	\$ -	0%	0.0%
2	60%	14	\$ 1,575.00	\$ 1,401.00	\$ 1,668.00	94%	0.0%
2	100%	4	\$ 1,704.00	\$ 1,530.00	\$ -	0%	0.0%
3	60%	3	\$ 1,819.00	\$ 1,604.00	\$ 1,926.00	94%	0.0%
3	100%	1	\$ 2,240.00	\$ 2,025.00	\$ -	0%	0.0%
Total		64					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,** 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 Mesolella Development Corp. (“Applicant”) is eligible for the Program under the laws of the State of Rhode Island and the federal tax code;
- Whereas,** on May 18, 2023, the RIHousing Board of Commissioners granted preliminary approval of a reservation of low-income housing tax credits available in calendar year 2023 (“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
Mesolella Development Corp.	Rosebrook Commons	\$1,088,685	\$3,700,000

HOME Loan	DAH-2 Loan	MI Loan
\$1,000,000	\$8,456,500	\$1,112,538

- 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 \$1,088,685 of allocated 2023 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 \$3,700,000 for a taxable first mortgage loan to the Borrower for rental housing to be located in Middletown, Rhode Island and known as Rosebrook Commons.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$8,456,500 for a Development of Affordable Housing 2 Program loan to the Borrower for rental housing to be located in Middletown, Rhode Island and known as Rosebrook Commons.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,000,000 for a HOME Investment Partnerships Program loan to the Borrower for rental housing to be located in Middletown, Rhode Island and known as Rosebrook Commons.

Resolved, that, subject to the special conditions listed below, RIHousing hereby approves firm commitment of up to \$1,112,538 for a Middle Income Program loan to the Borrower for rental housing to be located in Middletown, Rhode Island and known as Rosebrook Commons.

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, including an award of Priority Projects Fund funding, in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- Availability of financing for the commercial component of the Development in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to RIHousing;
- 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 Applicant of a Construction Completion Guaranty in form and substance satisfactory to RIHousing and any lender;
- Approval by RIHousing of design and construction plans, specifications, and construction documentation;
- Recordation of a RIHousing Declaration of Land Use Restrictive Covenant and Regulatory Agreement in form(s) acceptable to RIHousing;
- Simultaneous closing of a construction loan or loans for both the residential and commercial portions of the Development;
- Approval of proposed condominium documents including allocation of common space and operating costs of the two units;
- 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.