Timothy S. Eden
Managing Partner
Starr Capital LLC

September 16, 2025

The Honorable Town Council
Town of Coventry
1670 Flat River Road
Coventry, RI 02816

Re: Analysis of LMI Cost Impact to Housing Production

Dear Honorable Members of the Town Council:

The following is a summary of the attached proforma for a 40-unit affordable (LMI) housing project in Coventry and its implications for the broader ~220-unit apartment program at the site.

Key Inputs & Assumptions

- **Rents:** Rhode Island proscribes affordable rents at 80% of average household income for studios, 1-BR, and 2-BR units.
- **Operating expenses:** Benchmarked to similar affordable projects.
- **Development budget:** Drawn from current cost estimates for the planned apartment phases at this site.
- **Scope modeled here:** Stand-alone 40-unit LMI building for feasibility illustration.

Financial Summary (40-Unit Stand-Alone LMI Scenario)

- Total development budget: ≈ $11.7 million.
- Stabilized return on cost (year-1 NOI / total cost): ≈ 2.9%. Target returns for new apartment construction in equivalent Rhode Island submarkets are 7.5%
- Market value at completion (based on a capitalized rate of 6%): ≈ $5.7 million. - Implied loss / shortfall: ≈ $6.0 million (≈ $150,000 per unit).
- Tax credits: No LIHTC equity assumed in this illustration. Note that 60% AMI LIHTC rents are typically lower, which can further constrain revenue unless offset by equity/tax credit proceeds and soft funding. LIHTC is also a time consuming and uncertain process.

Context within the proposed 220-Unit Program - A larger mixed-income program can **partially absorb** LMI losses via cross-subsidy from market-rate units; however, many factors materially affect feasibility and lender underwriting that exposes risk to equity investors.

- Debt costs remain elevated and hard costs continue to escalate.
- Market rents and absorption are sensitive to macro conditions.

Policy & Market Considerations

- **Higher mandatory LMI requirements** act as a de-facto cost burden that can discourage new construction. Reasonable standards and financial incentives should be structured to encourage housing construction.
- **New apartment supply** is important for Coventry given an **older housing stock** and limited recent production. Entry-level apartments serve **young families** and **downsizing retirees**, broadening access to attainable options.
- Rhode Island has historically underproduced housing relative to need. Studies show the state produces~**1,200 units/year** on average over the past decade vs. a statewide stock of ~**467,000** homes—i.e., < **0.25%** annual replacement).

Recommendation:

- Set inclusionary requirement at 12-15% for the Town of Coventry to balance affordability goals with project feasibility.
- Approve a standard Tax Stabilization Agreement for rental housing construction as provided by state law to reduce property taxes as a major operating expense.
- Provide reduced impact fees for schools and utilities.
- For our project at Coventry Centre, we are proposing 15% across ~220 units to deliver ~33 affordable units while preserving the potential to finance and construct the broader community benefits. The development team will actively pursue financing and subsidy pathways; however, no guarantees are possible given current market risks.

Closing - We support affordable housing production and believe the above framework maximizes the odds of delivery—both of affordable units and the overall mixed-income community—under today's market conditions.

Sincerely,

Timothy S. Eden
Managing Partner
Starr Capital LLC

Coventry Center - 40 LMI Housing Units
666 Arnold Rd Coventry, RI
Proforma Development Model

UNIT MIX & RENTAL RATES

Unit Type	Units	Mix %	SF	Rent	Rent PSF	Monthly Rent	Annual Rent
Studio	10	25.0%	450	$1,500	$3.33	$15,000	$180,000
1 BR / 1 BA	15	37.5%	750	$1,715	$2.29	$25,725	$308,700
1 BR - Total	**25**	**62.5%**	**630**	**$1,629**	**$2.59**	**$40,725**	**$488,700**
2 BR - Total	**15**	**37.5%**	**900**	**$2,000**	**$2.22**	**$30,000**	**$360,000**
3 BR - Total	**0**	**0.0%**	**0**	**$0**	**$0.00**	**-**	**-**
TOTAL	**40**	**100.0%**	**731**	**$1,768**	**$2.42**	**$70,725**	**$848,700**
Other Income						-	-
TOTAL GROSS REVENUE						**$70,725**	**$848,700**

NET OPERATING INCOME

Description	Per Unit	Total
Annualized Gross Revenue	$21,218	$848,700
Vacancy & Collection Loss @ 5.00%	($1,061)	($42,435)
TOTAL NET REVENUE	**$20,157**	**$806,265**
Administrative	$690	$27,600
Utilities	$3,200	$128,000
Operations & Maintenance	$3,450	$138,000
Management Fees	$872	$34,880
Insurance	$1,870	$74,800
Real Estate & Property Taxes	$1,358	$54,320
TOTAL OPERATING EXPENSES	**$11,440**	**$457,600**
RESERVES	**$200**	**$8,000**
NET OPERATING INCOME	**$8,517**	**$340,665**

YIELD CALCULATION

				Per Unit	Total
TOTAL CAPITAL BUDGET				$292,586	**$11,703,438**
PROJECT EQUITY	**40.00%**	**Debt Yield:**	**4.85%**	$117,034	**$4,681,375**
SENIOR DEBT AMOUNT	**60.00%**	**DSCR:**	**0.60x**	$175,552	**$7,022,063**
VALUATION AND CAPITALIZATION RATE:			**6%**	$141,944	**$5,677,750**
LOSS				$150,642	**$6,025,688**
STABILIZED YIELD (UNTRENDED)					**2.91%**

CAPITAL BUDGET SUMMARY

	Per Unit	Total
Land Costs	$8,750	$350,000
Hard Costs	$217,215	$8,688,600
Soft Costs	$58,121	$2,324,838
Contingency	$8,500	$340,000
Total Project Costs	**$292,586**	**$11,703,438**