

Request for Action
by
Board of Commissioners
Approval of Acquisition and Revitalization Program (ARP)
Funding Awards

1. Summary of Issues

On March 2, 2021, the voters of the State of Rhode Island passed a state bond referendum authorizing the issuance of \$65,000,000 in bonds to increase the availability of affordable housing and support community revitalization through the redevelopment of existing structures, new construction, and property acquisition. Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) was authorized by the Executive Office of Commerce (“Commerce”) to implement and administer a program using \$15,000,000 of these funds for the improvement of properties that are blighted or in need of revitalization. The program is known formally as the Acquisition and Revitalization Program (“ARP”).

ARP’s purpose is to stabilize neighborhoods and communities by strategically targeting foreclosed and/or blighted residential and commercial properties and vacant lots in need of redevelopment. Encouraging redevelopment of vacant, foreclosed and/or blighted properties will revitalize neighborhoods and communities, stabilize the housing market, and improve local economies. The funding is available to non-profit and for-profit developers, municipalities and public housing authorities.

Pursuant to ARP Summary Guidelines established by RIHousing (“Guidelines”), ARP funding is available statewide, however, 75% of the funding is set aside for urban communities. The Guidelines restrict the income of households that will occupy the redeveloped residential or mixed-use properties to 120% of area median income (“AMI”). In addition, the Guidelines prioritize redevelopment of commercial properties and vacant lots located in low- and moderate-income census tracts or that serve low- and moderate-income households.

Accounting for previous and anticipated rescissions, as of April 2024, there is an available balance of approximately \$7,215,953 in ARP funding. In November 2023, RIHousing issued a Request For Proposals (“RFP”) for ARP funds as part of a consolidated funding round. In response, RIHousing received 18 proposals requesting approximately \$16,996,830 in ARP funds. Two of the applications were for commercial development only. After an initial review of the applications, Development staff requested clarifying information regarding apparent deficiencies. Following receipt of the additional information from the applicants, all applications were reviewed by Development staff in accordance with the published Program Review Criteria to evaluate whether the applications contained the following ARP threshold criteria for awards:

1. Applicant must demonstrate that the development activity will commence within six

months of approval of funding.

2. Applicant must demonstrate that the development is financially feasible.
3. Applicant must demonstrate the experience and capacity to complete the project and to operate/maintain the project for a minimum 15-year period (as applicable) based upon experience with projects of similar complexity.
4. Applicant must demonstrate the need or demand for the project through market analysis, local demographics, existing demand for the project, etc.

Pursuant to their review, RIHousing staff is recommending funding for one commercial proposal and three residential projects, as described in Attachment A, in the amount of \$7,215,953. The proposed awards are contingent upon completion of standard underwriting within 9 months of awards and closing within 12 months of awards. These ARP awards will directly fund six commercial units and 116 residential units.

2. Recommendation

The attached resolution authorizing the allocation of up to \$7,215,953 in ARP funds is recommended for approval, contingent on compliance with ARP guidelines and certain conditions as set forth in the attached Resolution.

3. Attachments

- A. Summary of Recommendations
- B. Resolution

Attachment A

Summary of Recommendations

ARP Funds Recommended for Approval \$7,215,953

Distribution of Recommended Funds

Residential Projects	\$5,215,953
Commercial Projects	\$2,000,000

Recommendations include:

Hope & Main West End Kitchens - Hope & Main West End Kitchens, being developed by Hope & Main, is a 20,000 square foot campus comprised of two adjacent properties, 945 and 949 Westminster Street, that share a party wall. The site will provide six shared-use kitchens and infrastructure for specialized food production, including baking, meal preparation, catering and commissary and consumer packaged goods. The site will provide opportunities for businesses that are ready to transition out of the highly successful Hope & Main building in Warren but cannot find affordable production space for build-out or lease. Development of this site is anticipated to require a phased approach. ARP funding is being recommended to fund the costs of stabilization and code updates for the 945 Westminster property, including envelope upgrades, ADA compliance, fire alarm, roof and masonry upgrades, and utility stub-ins. This \$2,000,000 ARP award is contingent upon completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Sources	Amount
ARP	\$2,000,000
MHIC Loans	\$4,878,431
Other	\$5,528,660
Total Sources	\$12,407,091
Uses	Amount
Acquisition	\$2,610,000
Construction	\$6,626,517
FFE	\$265,000
Soft Costs	\$2,905,574
Total Uses	\$12,407,091

321 Knight Street - 321 Knight Street, which is being developed by S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY), is located at the currently blighted, highly visible corner of Westminster and Knight Streets in Providence. The development is proposed as a podium-style, elevator building with parking, community, and commercial space on the ground level and 41 units on the four floors above. The development will provide homes for larger families and individuals with disabilities. Nine (9) of the one-bedroom units will be prioritized for clients of West Bay RI, which provides support to people with intellectual and developmental disabilities. All local approvals are in place, and the developer plans to develop this as a 100% affordable development with rents ranging from 30% to 80% of AML. This development is simultaneously being recommended for an allocation of 9% LIHTC as well as the preliminary commitment of additional RI Housing funding sources. In addition to any other conditions in the project-specific preliminary approval for this development, this \$1,465,953 ARP award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$1,100,000	\$26,829
Bank RI - Commercial	\$200,000	\$4,878
Acquisition Revialization Program (ARP)	\$1,465,953	\$35,755
Capital Magnet Fund	\$500,000	\$12,195
Community Revitalization	\$2,000,000	\$48,780
HOME	\$1,000,000	\$24,390
Building Homes Rhode Island	\$490,000	\$11,951
Priority Projects Fund	\$1,276,639	\$31,138
LIHTC Proceeds	\$11,608,843	\$283,143
Deferred Development Fee	\$55,164	\$1,345
Providence Housing Trust Fund	\$900,000	\$21,951
Total Sources	\$20,596,599	\$502,356

Uses	Amount	
	Amount	Per Unit
Construction	\$14,790,000	\$360,732
Contingency	\$739,500	\$18,037
Acquisition	\$1,275,000	\$31,098
Soft Costs	\$1,514,845	\$36,947
Financing	\$1,085,700	\$26,480
Developer Fee	\$873,180	\$21,297
Operating Reserve	\$252,450	\$6,157
Replacement Reserve Year 1 Deposit	\$13,325	\$325
Other Reserves	\$52,599	\$1,283
Total Uses	\$20,596,599	\$502,356

Parcel 9 Phase II - Parcel 9 Phase II, which is being developed by Pennrose, LLC, is a new construction, mixed-income development on a currently vacant parcel at the edge of the Fox Point neighborhood in Providence. Phase II will create 61 new units, providing 13 units at 30% of area median income (“AMI”), two units at 50% of AMI, 21 units at 60% of AMI, 13 units at 100% of AMI, and 12 units that will exceed 120% of AMI. The development includes a mix of bedroom sizes ranging from efficiency to three-bedroom units. This development is simultaneously being recommended for an allocation of 9% LIHTC as well as the preliminary commitment of additional RIHousing funding sources. In addition to any other conditions in the project-specific preliminary approval for this development, this \$1,750,000 ARP award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$2,820,429	46,237
DAH-2	\$8,178,940	134,081
Priority Projects Fund	\$1,307,926	21,441
Building Homes Rhode Island	\$962,253	15,775
HOME	\$1,000,000	16,393
Housing Trust Fund	\$1,210,934	19,851
Housing Production Fund	\$2,286,306	37,480
Acquisition Revialization Program (ARP)	\$1,750,000	28,689
ERA2	\$1,700,000	27,869
LIHTC Proceeds	\$8,999,100	147,526
Deferred Development Fee	\$348,260	5,709
City HOME	\$400,000	6,557
Total Sources	\$30,964,148	507,609
Uses	Amount	Per Unit
Construction	\$22,874,866	\$374,998
Contingency	\$1,715,615	\$28,125
Acquisition	\$115,276	\$1,890
Soft Costs	\$2,761,713	\$45,274
Financing	\$1,063,500	\$17,434
Developer Fee	\$1,288,980	\$21,131
Operating Reserve	\$481,119	\$7,887
Lease Up Reserve	\$107,745	\$1,766
Replacement Reserve Year 1 Deposit	\$24,400	\$400
Other Reserves	\$530,934	\$8,704
Total Uses	\$30,964,148	\$507,609

1624 Lonsdale - 1624 Lonsdale Avenue or Lonsdale Memorial Lofts, which is being development by Lonsdale Valley JV, LLC, a joint venture between Valley Affordable Housing Corp. and Lonsdale Memorial Holdings, LLC, is a proposed residential re-development in Lincoln consisting of the conversion of the former Lincoln Memorial School into 26 new affordable apartments at 80% of AMI. The project will consist of two studio units, 20 one-bedroom units, and four three-bedroom units. All units will be restricted for households with incomes at or below 80% of AMI. This development is simultaneously being recommended for a Middle Income Program award. This \$2,000,000 ARP award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Sources	Preliminary	
	Amount	Per Unit
First Mortgage	\$2,014,937	\$77,498
Acquisition Revialization Program (ARP)	\$2,000,000	\$76,923
Middle Income Program	\$2,230,000	\$85,769
Building Homes Rhode Island	\$490,165	\$18,853
Town of Lincoln Grant	\$120,000	\$4,615
General Partner Capital	\$748,310	\$28,781
Total Sources	\$7,603,412	\$292,439
Uses	Amount	Per Unit
Construction	\$5,584,963	\$214,806
Contingency	\$400,000	\$15,385
Soft Costs	\$715,089	\$27,503
Financing	\$120,000	\$4,615
Developer Fee	\$540,540	\$20,790
Operating Reserve	\$180,000	\$6,923
Other Reserves	\$62,820	\$2,416
Total Uses	\$7,603,412	\$292,439

Attachment B

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

- WHEREAS, the voters of the State of Rhode Island passed a state bond referendum authorizing the issuance of \$65,000,000 in bonds to increase the availability of affordable housing and support community revitalization through the redevelopment of existing structures, new construction, and property acquisition (the “Bond Funds”);
- WHEREAS, the State of Rhode Island authorized the Executive Office of Commerce (“Commerce”) to utilize \$15,000,000 of the Bond Funds to develop and implement a program for the improvement of properties that are blighted or in need of revitalization (the “Acquisition and Revitalization Program” or “ARP”);
- WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by Commerce to administer ARP, including the award of ARP funds to projects that assist in addressing urban revitalization and blight remediation;
- WHEREAS, the applicants listed in Attachment A have submitted applications that meet the threshold requirements of ARP;
- WHEREAS, staff of RIHousing have reviewed each of the eligible applications submitted and recommend that ARP funds be committed to the proposals listed in Attachment A; and
- WHEREAS, RIHousing staff has reviewed the submissions and determined that the recommended proposals qualify for financing under RIHousing’s enabling legislation, regulations, guidelines and policies.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED, that RIHousing is authorized to commit up to \$7,215,953 in ARP funds for the recommended projects listed in Attachment A, each such award to be contingent on compliance with ARP guidelines and subject to the receipt of other sources of funds and certain conditions, as set forth below:

- 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.