

Request for Action
by
Board of Commissioners

Preliminary Approval of Capital Magnet Fund Awards

1. Summary of Issues

Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has received three awards of Capital Magnet Funds (“CMF”) from the Community Development Financial Institutions Fund, an arm of the U.S. Department of Treasury. The 2020 CMF Grant award was \$5,000,000 and was received in May 2021. Pursuant to program requirements the 2020 CMF Grant Award must be fully committed by May of 2023. There is approximately \$1,776,000 in CMF available.

In March 2022, RIHousing issued a Request for Proposals (“RFP”) for CMF funds from qualified applicants as part of a consolidated application for a number of funding sources. In response, RIHousing received 25 proposals requesting \$19,127,064 in CMF funds. After an initial review of the applications, Development Division staff requested clarifying information regarding apparent deficiencies. Program Review Criteria to evaluate whether the applications contained the required threshold criteria for awards as follows:

1. Applicant must demonstrate ability to proceed to closing on all financing and begin construction within nine months of commitment.
2. Applicant must demonstrate that the development is financially feasible for (i) the overall development costs of the project and (ii) the long-term operation of the proposal.
3. Applicant must demonstrate that the development has a reasonable likelihood that it will achieve sustainable occupancy of 95% within six months of construction completion. For mixed income proposals that meet the 20% at 50% or 40% at 60% set asides, the applicant must submit a third-party market study that includes an absorption schedule, lease-up reserve and identifies the timeline for achieving 95% occupancy.
4. The developer must have experience in the successful development and operation of affordable housing of similar scope and complexity.

Those applications that passed threshold were further reviewed by Development staff in accordance with the program criteria to evaluate whether the applications met the required CMF priorities for awards as follows:

- Proposals that provide for the highest leveraging of other federal, state and private resources.
- Proposals located in Areas of Economic Distress and Qualified Census Tracts.
- Proposals that require at least 40% of the units to provide housing for households with incomes below 50% of AMI.
- Proposals that address critical housing needs that includes addressing housing obsolescence.
- Preservation of existing affordable housing stock

RIHousing program staff met with senior staff and reviewed the applications based on threshold and scoring criteria. As a result of that review, four CMF proposals seeking program resources in the amount of \$1,776,001 are being recommended for preliminary reservation at this time. The recommended developments will help build or preserve 325 units, 308 of which will be CMF assisted.

2. Recommendation

The attached resolution authorizing the preliminary reservation of up to \$1,776,001 in CMF is contingent upon completion of the capital stack and final approval of all financing for each project. Project-specific requests for firm approval will be presented to the Board of Commissioners upon completion of final underwriting.

3. Attachments

- A. Summary of Recommendations
- B. Resolution

Attachment A
Summary of Recommendations

CMF recommended for preliminary reservation	\$1,776,001
Distribution of recommended funds	
Nonprofit Organizations	\$1,476,001
For Profit Organizations	\$300,000

Recommendations include:

Summer Street Phase I & II (9% and 4%): Summer Street is the proposed development of 176 new units in Providence, R.I. which will serve as replacement units for the SROs at 160 Broad Street (commonly known as the Tower), and the rehabilitation of 160 Broad Street, whereby 176 SROs will become 32 one-bedroom and 52 studio apartments. The proposal assumes that both a 9% transaction with 87 units and a 4% transaction with 89 units will close simultaneously. All units will be rented to tenants at or below 30% AMI and are supported by (i) a Project Based Rental Assistance contract through a RAD 2 Conversion; (ii) a Section 811 voucher; (iii) Continuum of Care (“CoC”) program assistance; or (iv) self-pay. Each Phase is being allocated \$500,000 of CMF and the awards are contingent on completion of standard underwriting and the simultaneous closing of both transactions.

Bernon Mill (“BM”): BM, located in Woonsocket, is the redevelopment of a historic mill 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 Developer is seeking eight project-based vouchers from the Woonsocket Housing Authority and has secured five HUD Section 811 vouchers. The developer received BHRI funds and preliminary approval of the tax-exempt financing, 4% LIHTC, RI Rebounds Production Funds, and a permanent loan. This \$300,000 of CMF completes the capital stack and is contingent on completion of standard underwriting.

The Avenue: The Avenue is a proposed 85-unit housing development combining 39 mixed-income apartments in a new building at 434 Atwells Avenue in the Federal Hill neighborhood in Providence, and the renovation and preservation of 46 existing affordable apartments known as Elmwood Neighborhood Revitalization II (ENR II) in the Elmwood neighborhood of Providence. The project has a mix of efficiency and 1–4-bedroom units. Nine units will be set aside for individuals at 30% AMI, 59 at 60% AMI, and 17 market rate units. The \$476,001 CMF award is one of the first funding commitments for this development.

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”) has entered into an agreement with the U.S. Department of Treasury Community Development Financial Institutions Fund to administer the FY 2020 Capital Magnet Fund Award (“CMF”);

Whereas, RIHousing is authorized to make investments of CMF proceeds to promote the acquisition, rehabilitation, creation or preservation of affordable housing;

Whereas, the applicants listed in Attachment A have submitted applications, which meet the requirements of the CMF Program;

Whereas, staff of RIHousing have reviewed each of the eligible applications submitted and recommend that CMF resources be preliminarily reserved to the proposals listed in Attachment A;

Whereas, staff of RIHousing have determined that the recommended proposals may qualify for financing under RIHousing’s enabling legislation, regulations, guidelines and policies; and

Whereas, RIHousing finds:

(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 sponsors undertaking the proposed housing developments 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 developments to be assisted will be of public use and will provide a public benefit; and

(5) that the proposed housing developments will be undertaken, and the housing sponsors regulated pursuant to the authority and within the restrictions provided

for by the Rhode Island Housing and Mortgage Finance Corporation Act, Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED, that RIHousing is authorized to commit up to \$1,776,001 in CMF proceeds in compliance with CMF program guidelines and subject to certain conditions and the receipt of other sources of funds for the projects set forth in Attachment A; and

RESOLVED, that the Executive Director, Deputy Executive Director, and Director of Development, each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolution.