

Request for Action
by
Board of Commissioners

Approval of Capital Magnet Fund Awards

1. Summary of Issues

Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has received four awards of Capital Magnet Funds (“CMF”) from the Community Development Financial Institutions Fund, an arm of the U.S. Department of Treasury. The 2021 CMF Grant award was \$12,000,000 and was received in June 2022. An Assistance Agreement was executed in December 2022. Pursuant to program requirements, the 2021 CMF Grant Award must be fully committed by December 2027. There is approximately \$11,400,000 in CMF available.

In November 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 17 proposals requesting \$15,155,325 in CMF funding. After an initial review of the applications, Development Division staff requested clarifying information from applicants regarding apparent deficiencies. Program Review Criteria, as outlined below, was used to evaluate whether the applications contained the required threshold criteria for awards:

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 proposed development.
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 and a lease-up reserve as well as 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 Division 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 area median income (“AMI”).
- Proposals that address critical housing needs, including addressing housing obsolescence.
- Preservation of existing affordable housing stock.

Development Division staff met with senior RI Housing staff to review the applications based on the threshold and scoring criteria. Proposals submitted in response to the consolidated RFP that did not initially apply for CMF funding, but were otherwise eligible and met the threshold criteria, were reviewed as well. As a result of that combined review, 7 CMF proposals seeking program resources in the amount of \$3,316,000 are being recommended for approval at this time. The recommended developments are described in Attachment A and, collectively, they will help build or preserve 510 units, 472 of which will be CMF-assisted.

2. Recommendation

The attached resolution authorizing the allocation of up to \$3,316,000 in CMF is recommended for approval, contingent upon completion of each project's 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

Recommendations include:

Ralph R. aRusso Manor - Ralph R. aRusso Manor is an existing 22-unit affordable housing development located at 150 Greenville Avenue in Johnston. Originally constructed in 1990, it has had little investment since then and needs substantial rehabilitation. The 22 units are spread over two buildings and all 22 units are subsidized by a project-based voucher (“PBV”) contract. The developer is Rosemont Associates, Inc. (“Rosemont”), and their goal is to refinance and preserve the project as affordable housing for the next 30 years. Rosemont has proposed a complete renovation of all the units, including new kitchens and bathrooms, new flooring, HVAC and elevator systems. Exterior work includes envelope upgrades to roofs, windows and doors, as well as much needed site work. The tenants will be relocated during construction. This \$400,000 CMF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Central Street - Central Street Development (“Central Street”) consists of both new construction and preservation units and is being developed by Pawtucket Central Falls Development Corporation (the “Developer”). As proposed, Central Street will be a mixed-use, mixed-income development on 12 scattered sites in Pawtucket and Central Falls. 30 new construction units have been proposed, of which 21 will be low-income housing tax credit (“LIHTC”) units and 9 will be Middle Income Program units with rents at the 80% AMI level. The preservation component will consist of 32 units, of which 22 will be LIHTC units and 10 will be Middle Income Program units with rents at the 80% AMI level. The new construction component will also include two community service facility spaces housing a Homeownership Center and “Tech Hub” for resident and community use. Central Street is simultaneously being recommended for an allocation of 9% LIHTC. This \$250,000 CMF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Lockwood Plaza Phase I - Lockwood Plaza is a 209-unit development in Providence that was built in 1979 and last renovated in 2011. It is located at and around 50 Prairie Avenue and consists of 108 townhouses in 17 garden-style townhouse buildings as well as a 101-unit high-rise building. This award for Phase I is for the townhouse units only, which offer a combination of one, two, three and four-bedroom units restricted for households with incomes at or below 60% of AMI. The Phase I units cater to families, however, many of the systems are near the end of their useful life. With just eight years remaining in the current affordability term, WinnCompanies LLC (“Winn”) seeks to extend the affordability term for another forty years. Approximately 88% of the units are supported by Section 8 housing choice vouchers (“HCV”) and provide homes for residents with incomes below 50% of AMI and often below 30% of AMI. This \$990,000 CMF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Copley Chambers II & III - Copley Chambers II & III is a development in need of gap financing to support the new construction of 124 units of affordable housing and 6,800 square feet of ground floor commercial space located on Broad Street in Providence across from Classical High School. Copley Chambers II & III will consist of 2 five-story podium buildings on adjacent lots. Collectively,

there will be 12 efficiency units, 87 one-bedroom units, and 25 two-bedroom units. All the dwelling units will be restricted to individuals or households earning at or below 80% of AMI. Since Preliminary Commitment in November 2022, the Developer has finalized their plans and specifications, executed a Memorandum of Understanding with Providence Community Health Center for the commercial space, secured eight project-based vouchers from the Providence Housing Authority, and secured financing from Citizens Bank, Newmark/Freddie Mac, and the Providence Redevelopment Agency. A simultaneous recommendation for firm approval of financing is being presented which references this award. This \$750,000 CMF award is contingent on completion of standard underwriting and closing within four months of this award.

Potters Tigrat Apartments - Potters Tigrat Apartments (“Potters Tigrat”) is a 57-unit development comprised of two separate components located on scattered sites in South Providence. The developer is S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) (“SWAP”). One component of the Development is the existing scattered site, post-year-15 LIHTC project, which is in need of capital improvements. 37 existing units are located in 16 buildings and range in size from one to four-bedrooms. These existing units are slated to undergo a moderate rehabilitation of \$96,000 per unit. The other component of the Development is the new construction of 20 apartments in 11 buildings on vacant sites already under SWAP’s ownership. The 20 new units will range in size from one to three-bedrooms and are proposed to serve tenants earning between 30% and 60% of AMI. A simultaneous recommendation for preliminary approval of tax-exempt financing is being presented which references this award. This \$250,000 CMF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

Ade Bethune House – Ade Bethune House is a new construction project that consists of a single building with 54 units of affordable, 55+ age-restricted housing and a new Senior Center in Portsmouth. Church Community Housing Corporation (“CCHC”) is the developer. CCHC plans to reuse the site of the former Portsmouth Senior Center to construct the new building. There will be a 99-year land lease between the Town of Portsmouth and CCHC, and the building will be structured as a condominium with the intent for the Town to purchase the new Senior Center for \$1 million upon completion. The sale proceeds of \$1 million are included as part of the capital stack for the project. Of the 54 housing units, 6 one-bedroom units will be restricted to households with incomes at or below 30% of AMI and the remaining one and two-bedroom units will be available to households with incomes up to 60% of AMI. The 30% AMI units will receive operating subsidy through the HPF-ELI program. A simultaneous recommendation for preliminary approval of financing is being presented which references this award. This \$200,000 CMF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

The Avenue – Olneyville Housing Corporation d/b/a ONE Neighborhood Builders (“ONE|NB”) is the developer of the proposed development known as the The Avenue, which consists of two separate components. The first component, Elmwood Neighborhood Revitalization II (“ENR II”), is a post-year-15 LIHTC project in need of some capital improvements. ENR II contains 46 units located on scattered sites in the Elmwood neighborhood of Providence. The second component is the new construction of 39 units of housing on a vacant site located at 434 Atwells Avenue in Providence. The residential units will be located on floors 2-5 of this new building with commercial space and project amenities located on the first floor. The 39 new units will range in size from studios to three-bedrooms and are proposed to serve tenants earning between 30% of AMI and 80% of AMI. There will be 17 Middle Income Program units. A simultaneous recommendation for preliminary approval of tax-exempt bonds and 4% LIHTC is being presented which references this award as well

as a previous CMF award of \$476,001. This \$476,000 CMF award is generated from 2017 CMF Grant Program Income and is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award.

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 a FY 2021 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 \$3,316,000 in CMF proceeds in compliance with CMF program guidelines, subject to certain conditions and the receipt of other sources of funds, for the projects set forth in Attachment A.

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 resolution.