

Request for Action
by
Board of Commissioners
Approval of Community Revitalization Program (CRP)
Funding Awards

1. Summary of Issues

The Community Revitalization Program (“CRP”) is funded with State and Local Fiscal Recovery Funds (“SFRF”) appropriated to the United States Department of Treasury (“Treasury”) through the American Rescue Plan Act of 2021 for the production of affordable housing for households with incomes at or below 80% of area median income (“AMI”). Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) was authorized to implement and administer CRP using approximately \$20,000,000 in funds for the acquisition and redevelopment of blighted properties in order to increase the development of affordable housing. CRP funds may be used for projects that include commercial or community spaces that are ancillary to the housing and serve residents of affordable housing. As of February 2024, approximately \$3,200,000 in CRP funds is available for award.

Pursuant to CRP Summary Guidelines established by RIHousing (the “Guidelines”), CRP funding must be fully expended by December 31, 2026 and will be awarded as a grant with a deed restriction requiring affordability for not less than 30 years. The Guidelines restrict occupancy of the new rental units to households with incomes at or below 80% of AMI.

Deals reviewed for additional CRP funding were originally proposed in January 2023 and received preliminary approval in May 2023. Generally speaking, they are experiencing gaps due to (i) increased construction pricing, (ii) lower syndication pricing, and (iii) higher interest rates. These deals generally have nearly final plans and specifications and should be able to move to closing quickly once the funding gaps are filled. While reviewing these deals for additional commitments, staff paid particular attention to the following factors: (i) the size of the gap for which the developer was seeking additional funding as compared to the overall transaction, which, for these deals, ranged from 10%-44%, (ii) deferred developer fees, (iii) any value engineering undertaken and (iv) updated equity pricing to ensure an equitable review across all projects.

In November 2023, RIHousing issued a Request for Proposals (“RFP”) for CRP funds from qualified applicants as part of a consolidated funding round. All applications are being reviewed by Development Division staff in accordance with the published Program Review Criteria to evaluate whether the applications contained the required CRP threshold criteria for awards. Those applications remain under review.

RIHousing staff recommends CRP funding for one proposal in the amount of \$1,100,000. The recommended award is described in Attachment A and the award is contingent upon the

applicant's ability to close by July 31, 2024 or sooner, as outlined in Attachment A.

2. Recommendation

The attached resolution authorizing the allocation of up to \$1,100,000 in CRP funds is recommended for approval, contingent upon (i) receipt of the CRP funds from the State of Rhode Island; (ii) the availability of all other funding for each project; and (iii) compliance with CRP guidelines.

3. Attachments

- A. Summary of Recommendations
- B. Resolution

Attachment A

Summary of Recommendations

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 current award for Phase I is being made in connection with 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. Approximately 88% of the units are supported by Section 8 housing choice vouchers and provide homes for residents with incomes below 50% of AMI and often below 30% of AMI.

Since Preliminary Approval in May 2023, the developer, WinnResidential, completed their plans and specifications as well as a full assessment of the critical systems. After a full review by the developer and RIHousing, it was determined that replacement, rather than refurbishment, of the windows and gutters is necessary to allow the project to continue to function safely, be energy efficient, and prevent moisture intrusion for the next 15-20 years. In addition, a fire code report revealed several items that need to be completed to ensure compliance with current codes. These construction-related items, along with rising interest rates, contributed to an overall funding gap of approximately \$3,000,000. The developer has requested \$1,100,000 in ancillary funds, for which staff is recommending an award of \$1,100,000 in CRP funds contingent upon completion of standard underwriting and closing by July 31, 2024.

Sources	May 2023		Delta	Consolidated 2024	
	Amount	Per Unit		Amount	Per Unit
RIH First Mortgage	\$3,000,000	27,778	(\$150,000)	\$2,850,000	\$26,389
Capital Magnet Fund	\$990,000	9,167	\$0	\$990,000	\$9,167
ARPA Production Fund	\$4,010,000	37,130	\$0	\$4,010,000	\$37,130
City of Providence	\$1,500,000	13,889	\$0	\$1,500,000	\$13,889
Assumed Debt (Rollover)	\$2,148,439	19,893	\$0	\$2,148,439	\$19,893
Seller Loan	\$0	0	\$833,333	\$833,333	\$7,716
Community Revitalization	\$0	0	\$1,100,000	\$1,100,000	\$10,185
LIHTC Proceeds	\$8,850,000	81,944	\$1,376,940	\$10,226,940	\$94,694
Cashflow from Operations	\$450,000	4,167	\$25,000	\$475,000	\$4,398
Deferred Development Fee	\$1,187,516	10,996	\$212,484	\$1,400,000	\$12,963
Citizens Bank EOF Funds	\$750,000	6,944	(\$375,000)	\$375,000	\$3,472
Total Sources	\$22,885,955	211,907	\$3,022,757	\$25,908,712	\$239,895

Uses	May 2023		Delta	Consolidated 2024	
	Amount	Per Unit		Amount	Per Unit
Construction	\$7,466,214	\$69,132	\$1,898,066	\$9,364,280	\$86,706
Contingency	\$746,621	\$6,913	\$53,379	\$800,000	\$7,407
Acquisition	\$8,222,222	\$76,132	\$833,333	\$9,055,555	\$83,848
Soft Costs	\$1,563,944	\$14,481	\$203,727	\$1,767,671	\$16,367
Financing	\$1,110,079	\$10,279	\$130,486	\$1,240,565	\$11,487
Developer Fee	\$2,076,384	\$19,226	\$292,569	\$2,368,952	\$21,935
Operating Reserve	\$639,862	\$5,925	(\$28,025)	\$611,837	\$5,665
Replacement Reserve Year 1 Deposit	\$216,000	\$2,000	\$0	\$216,000	\$2,000
Other Reserves	\$844,630	\$7,821	(\$360,778)	\$483,852	\$4,480
Total Uses	\$22,885,955	\$211,907	\$3,022,757	\$25,908,712	\$239,895

Attachment B

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

WHEREAS, the Community Revitalization Program (“CRP”) was created using State and Local Fiscal Recovery Funds appropriated to the United States Department of Treasury (“Treasury”) through the American Rescue Plan Act of 2021 to provide funding for the acquisition and redevelopment of blighted properties to increase the development of affordable housing for households with incomes at or below 80% of Area Median Income;

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by Treasury and the State of Rhode Island to administer the CRP;

WHEREAS, the applicant listed in Attachment A has submitted an application that meets the threshold requirements of CRP;

WHEREAS, RIHousing staff have reviewed the submission and determined that the recommended proposal qualifies 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 \$1,100,000 in CRP funds in compliance with CRP guidelines, subject to certain conditions as well as the receipt of other sources of funds, for the proposal reviewed by staff, as set forth in Attachment A; and

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.