

**Request for Action  
by the Trustees of the  
Affordable Housing Trust Fund**

**Approval of Homeownership Investment Fund (HIF)**

**1. Summary of Issues**

This Request for Action (“RFA”) is for approval to modify and administer the Homeownership Investment Fund (“HIF”) Program (the “HIF Program” or the “Program”). HIF was created to provide financing to qualified developers to purchase properties and rehabilitate or newly construct homes to be sold to households earning up to 100% of area median income (“AMI”).

**2. Discussion**

In 2018, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) and the Affordable Housing Trust Fund created the HIF Program. Since then, RIHousing has issued Requests for Proposals (“RFP”) in three separate funding rounds and has awarded approximately \$3,000,000 in funding to developers to increase the development of homeownership opportunities for households at or below 120% of AMI.

Based on feedback from developers of first-time homebuyer opportunities, RIHousing staff recommends certain updates to the HIF guidelines. The most significant change is to accept applications on a rolling basis. This modification will expedite the approval and construction of the proposed homes since developers will not need to wait for funding rounds. An additional change is to reduce the maximum sales price to households at or below 100% of AMI rather than 120% of AMI. Developers using the comprehensive permit process and density bonuses appear to be supplying a steady supply of 120% AMI homeownership units which leaves a gap in production for units at or below 100% of AMI.

In accordance with the above proposed changes, RIHousing staff has revised the Program Guidelines set forth at Attachment A which outline details of the Program. Funding under the Program will continue to be provided as a forgivable loan to eligible developers. A deed restriction will be recorded to secure the affordability when transferred to the homebuyer. All HIF Program applications will be reviewed by RIHousing staff and assessed based upon the criteria outlined in the Program Guidelines, including RIHousing’s threshold criteria for awards: a complete application; readiness to proceed with construction within four months of commitment; financial feasibility; experience and capacity to complete and market for-sale housing; and demand for the housing. After initial review of the applications, RIHousing staff may request clarifying information regarding any deficiencies. While applications will be reviewed in the order in which they are received, any need for clarification or any deficiencies may delay full review and any subsequent recommendation. Once an application is complete and satisfies the threshold criteria, it will be further reviewed based on the review criteria. Subsequently, RIHousing staff will present recommendations to the Trustees of the Affordable Housing Trust (the “Trustees”) for approval.

**3. Recommendation**

Staff recommends approval of the Homeownership Investment Fund Program as modified. Applications under the Program will be accepted on a rolling basis, will be reviewed in the order in which they are received, and will be underwritten in accordance with the Program Guidelines at Attachment A and program priorities and evaluative criteria set forth in the Request for Proposals.

**4. Attachments**

- A. Program Guidelines
- B. Resolution

**Attachment A**  
**RIHousing**  
**Homeownership Investment Fund (“HIF”)**  
**Program Guidelines**

In awarding HIF resources, RIHousing has identified the following priorities:

1. Increase the construction of first-time homebuyer opportunities or households at or below 100% of area median income (“AMI”);
2. Proposals that achieve these goals at the lowest cost.

To best achieve these goals, RIHousing has established four (4) Threshold Criteria, which are more particularly described in Section A below, that must be met before a proposal will be considered for HIF funding:

1. Construction will commence within four (4) 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 and market for-sale housing.
4. Applicant must demonstrate the need or demand for the project through market analysis, local demographics, submission of homebuyer waiting lists, etc.

Proposals will be reviewed in the order in which they are received by RIHousing. Only proposals that satisfy the Threshold Criteria and include the Application minimum requirements (as set forth in Section C below) will be further considered under the Review Criteria (as set forth in Section B below). Any need for clarification or any deficiencies in the proposal may delay full review and any subsequent recommendation. RIHousing will record a fifteen (15) year restriction on properties assisted under the HIF. RIHousing will have an opportunity to provide the construction financing or match any terms provided by other lenders.

Within any six-month period, the maximum number of HIF awards to any one developer will be capped at five (5) for-sale homes, however, this can include duplexes.

**The Purchase Price of the homes for sale must be calculated based on:**

- Income limits posted on the RIHousing Website - <https://www.rihousing.com/wp-content/uploads/FY-23-HUD-Income-Limits.pdf>
- The application should include disposition analysis demonstrating affordable purchase price (principal, interest, taxes and insurance (PITI) shall not exceed 30% of gross monthly income

for buyers between 80% AMI – 100% AMI) and documentation from the Monitoring Agent confirming the projected purchase price. (Include monitoring fee in soft costs.)

When calculating the sales price for a multi-unit property:

- The rental income should be added to the homebuyer's income and discounted based on lender industry standards.
- The applicable bedroom size should be based only on the homebuyer unit.

#### **A. Threshold Criteria**

1. **Readiness to Proceed:** Applicant must demonstrate that construction of affordable homeownership opportunities will commence within four (4) months of funding. To be awarded and maintain a funding reservation, all applicants must demonstrate readiness to proceed throughout the process.
  - Projects with partial planning or zoning approvals are not eligible for HIF awards.
  - Applicant must have site control to apply for HIF.

An assessment of an applicant's initial readiness to proceed will be made based upon the applicant's ability to provide final plans and/or specifications and ability to secure all funding commitments.

RIHousing will use its best professional judgment in evaluating an application for readiness to proceed. Staff will consider the applicant's past performance in meeting funding and closing deadlines.

2. **Financial Feasibility:** The applicant must demonstrate that the proposal is financially feasible. RIHousing reserves the right to deny funding of proposals for which adequate funding commitments have not been secured for all development costs.
3. **Development Team Capacity:** The developer must have experience in the successful development and sale of affordable homeownership opportunities. The developer will be evaluated on its professional capacity to plan, build, market, and sell the proposed home(s). The developer is expected to demonstrate satisfactory prior experience on projects of similar scale and complexity, and to devote sufficient staffing and resources to complete the proposed project. The applicant will also be evaluated for creditworthiness and financial capacity.
4. **Demonstration of Need or Demand:** The applicant must demonstrate, to RIHousing's satisfaction, that the need or demand for the project exists. Demonstration of need can be provided through market analysis, local demographics, demand for the project as exhibited by a list of interested and qualified buyers, etc.

RIHousing reserves the right to deny funding to any proposal where (i) any materially participating entity is not in good standing regarding compliance monitoring of other RIHousing funded projects or (ii) any partner, developer or other key development team member has been determined by RIHousing to be not creditworthy. Creditworthiness takes into consideration the financial condition

of an organization and management capabilities. RIHousing will review each applicant's most recent audit to ensure financial capacity to develop the project.

**If an applicant passes Threshold, they must also meet the following Review Criteria to be considered for HIF funding.**

## **B. Review Criteria**

Applications for HIF awards that have passed Threshold will be further reviewed for approval based on the following Review Criteria:

1. At the time of application, the Development must be permitted by applicable regulatory agencies including municipal permitting bodies (local planning and zoning) and state regulatory agencies such as RIDEM or RIDOH (building permits not required at time of application). **Projects with partial planning or zoning approvals are not eligible for HIF awards.**
2. Plans and specifications must be at a sufficient stage, in RIHousing's sole opinion, to meet the Threshold requirement of 4 months to construction commencement.
3. Projects must demonstrate readiness to proceed within 4 months of funding.
4. The total development cost per unit cannot exceed \$425,000, however, lower cost projects will be prioritized in the event that multiple projects are submitted and/or reviewed simultaneously.
5. The household income levels for proposed units cannot exceed 100% AMI.
6. The maximum developer fee is 5% of total development costs.
7. The requested HIF financing per unit cannot exceed:
  - a. \$190,000 for an 80% AMI home
  - b. \$175,000 for a 100% AMI home

Proposals that pass Threshold and meet the above Review Criteria will be submitted to the Trustees for approval on a first-come, first-served basis until all HIF funding for this round is depleted.

## **C. Application Checklist (Minimum Requirements)**

- Application
- Narrative proposal description
- Project Sources and Uses
- Timeline for closing and commencement of closing
- Letters of funding commitments
- Resumes of key development team members
- Provide proof of organization's creditworthiness
- Evidence of site control including Property Deed and legal description of the property
- Zoning Certificate or Evidence of Zoning showing permitted use
- Design Plans and Specifications
- Signed Schedule of Values prepared by qualified professional
- Evidence of demand or need for the project through market analysis or study, local demographics, waiting list, etc.

- Structural report for existing properties proposed for rehabilitation

## Attachment B

### Resolution of the Trustees of the Affordable Housing Trust Fund

- Whereas:** the Affordable Housing Trust Fund (the “AHT”) was created by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) for the sole purpose of making homeownership to low- and moderate- income residents of the State of Rhode Island more affordable, and
- Whereas:** one of the purposes of the AHT is to assist with the preservation and development affordable housing throughout the State of Rhode Island, and
- Whereas:** the AHT has increased its investment portfolio over the last several years through its preservation related activities, and
- Whereas:** the AHT is providing up to \$2,000,000 annually for five years, subject to funding availability, for the Homeownership Investment Fund Program to finance the redevelopment and construction of new homeownership opportunities.

#### **NOW, THEREFORE, IT IS HEREBY**

- Resolved:** that the Affordable Housing Trust Fund, acting by and through its Trustees, be, and hereby is, authorized to (i) set aside up to \$2,000,000 annually for five years, subject to funding availability, for Homeownership Investment Fund Program awards and (ii) transfer such funds to RIHousing for purposes of implementing and administering the Homeownership Investment Fund Program structured generally in accordance with the description contained in the revised Program Guidelines attached hereto, with such changes as the Executive Director, Deputy Executive Director, and Director of Real Estate Development of RIHousing may, in their sole discretion, determine to be necessary or advisable.
- Resolved:** that the Executive Director, Deputy Executive Director, and Director of Real Estate Development of RIHousing, each acting singly, be and hereby are authorized, empowered and directed to take any and all actions as each, in his/her sole discretion, shall deem necessary or advisable to carry out the foregoing resolutions.