

Request for Action
by
Board of Commissioners
Approval of Housing Production Fund (HPF)
Funding Awards

1. Summary of Issues

The Housing Production Fund (“HPF”) was established by the State of Rhode Island General Assembly in June 2021 by amendment to Rhode Island General Laws Section 42-128, known as the Housing Resources Act of 1998, to provide funding for the planning, production, and preservation of affordable housing. Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) was authorized by the General Assembly to implement and administer a program using \$10,000,000 of these funds to provide grants or loans for the development of new affordable housing and the preservation of existing affordable units.

Due to rescissions and returned funds, there is \$4,504,881 of HPF funds available to reallocate. In November 2023, RIHousing issued a Request for Proposals (“RFP”) announcing a consolidated funding round. In response, RIHousing received 77 proposals requesting approximately \$231,500,000 for various housing development and preservation projects. All applications were reviewed by Development staff in accordance with the Program Review Criteria to evaluate whether the applications contained the required HPF 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.

Proposals submitted in response to the consolidated RFP that did not initially apply for HPF funding, but were otherwise eligible and met the threshold criteria, were reviewed.

Development staff scored only those applications that passed the threshold analysis.

Development staff met with senior RIHousing staff to review the applications based on the threshold and scoring criteria. As a result of that combined review, two proposals seeking program resources in the amount of \$4,504,881 are being recommended for HPF approval. The recommended developments are described in Attachment A, and they will help build 73 units, collectively; 45 of which will be HPF-assisted.

2. Recommendation

The attached resolution authorizing the allocation of up to \$4,504,881 in HPF funds is recommended for approval, contingent on the availability of all other funding and compliance with HPF guidelines.

3. Attachments

- A. Summary of Recommendations
- B. Resolution

Attachment A

Summary of Recommendations

Recommendations include:

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. 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 \$2,286,306 HPF award is contingent on completion of standard underwriting within 9 months of this award and closing within 12 months of this award as well as the reimbursement of HPF funds from the Frenchtown Road project as further outlined in that development’s revised firm commitment from March 2023.

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

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23 Central Street – 23 Central Street, which is being developed by Pawtucket Central Falls Development Corporation (“PCFDC”), is the new construction of 12 affordable rental units ranging from 30% AMI – 80% AMI on two blighted properties in Central Falls. The property is in a “Designated Redevelopment Area 1” for the City. Solar is planned for this project to reduce energy costs for the residents. The 30% AMI units will be for three adults who have aged out of foster care and may be experiencing homelessness. Foster Forward has committed operating subsidies for those three units and will also provide supportive services. 23 Central Street is adjacent to the new construction PCFDC is undertaking as part of a recently approved 9% LIHTC transaction. This development is simultaneously being recommended for an award of Acquisition Revitalization Program (“ARP”) funds. In addition to any other conditions in the RFA requesting approval of such ARP award, this \$2,218,575 HPF award is contingent on completion of the capital stack, including firm commitment of first mortgage financing, as well as completion of standard underwriting within 6 months of this award and closing within 9 months of this award.

Sources	Preliminary	
	Amount	Per Unit
RIH First Mortgage	\$380,000	31,667
Acquisition Revialization Program (AR)	\$1,000,000	83,333
Housing Production Fund	\$2,218,575	184,881
Priority Projects Fund	\$1,200,000	100,000
Total Sources	\$4,798,575	399,881
Uses	Amount	Per Unit
Construction	\$3,565,000	\$297,083
Contingency	\$190,006	\$15,834
Acquisition	\$300,000	\$25,000
Soft Costs	\$231,900	\$19,325
Financing	\$40,000	\$3,333
Developer Fee	\$403,213	\$33,601
Operating Reserve	\$64,556	\$5,380
Replacement Reserve Year 1 Deposit	\$3,900	\$325
Total Uses	\$4,798,575	\$399,881

Note: the RIH First Mortgage included in the above chart is subject to RIHousing approval.

Summary

Development	0%-60% AMI	80% AMI	Market Rate
Parcel 9 Phase II	36	0	25
23 Central Street	3	6	3
Totals	39	6	28
Total Units	73		
Total HPF Units	45		

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

- WHEREAS, the State of Rhode Island General Assembly passed a state budget bill authorizing the issuance of \$10,000,000 to support both the development of new affordable housing and the preservation of existing affordable units (the “HPF Funds”);
- WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by the Rhode Island General Assembly to administer the Housing Production Fund (“HPF”), including the award of HPF funds to projects that assist in the development of new affordable housing and the preservation of existing affordable units;
- WHEREAS, the applicants listed in Attachment A have submitted applications that meet the threshold requirements of HPF;
- WHEREAS, staff of RIHousing have reviewed each of the eligible applications submitted and recommend that HPF funds be committed to the proposals listed in Attachment A; and
- WHEREAS, RIHousing staff have 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 \$4,504,881 in HPF funds, in compliance with HPF guidelines and subject to certain conditions and the receipt of other sources of funds for the proposals reviewed by staff, as 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.