

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.

In March 2022, RIHousing issued a Request for Proposals (“RFP”) for HPF funds as part of a consolidated funding round from qualified applicants. In response, RIHousing received 52 proposals requesting \$217,000,000 of which approximately \$75,820,000 is HPF funds. All applications were reviewed by Development staff in accordance with the published 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.

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

RIHousing staff recommends approval of funding for seven proposals in the amount of

\$10,000,000. All proposals are contingent upon the applicant's ability to secure additional committed funding by December 31, 2022, and directly fund 360 units for households with incomes below 80% area median income ("AMI"), of which 74 units will be for households with incomes below 30% of AMI. Including market rate units, these seven developments will create 392 units of housing.

2. Recommendation

The attached resolution authorizing the allocation of up to \$10,000,000 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

HPF Funds Recommended for Approval

\$10,000,000

Recommendations include:

Frenchtown Phase II 4% (collectively “Frenchtown 4%”): Frenchtown 4% is part of a proposed mixed income development containing 63 new units located in East Greenwich. The developer is Pennrose, LLC (“Pennrose”). It is hybrid transaction and includes a 9% transaction with 33 two-bedroom apartments and a 4% transaction with 30 one-bedroom apartments that will close simultaneously. Frenchtown Phase II 4% has preliminary approval of tax-exempt bond financing. This HPF award is for \$3,626,381, which is contingent on completion of standard underwriting, registration of Pennrose to do business with the State of Rhode Island and the simultaneous closing of both the 9% and 4% tranches.

Frenchtown 4%

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIRPF	\$ 1,213,875	\$ 40,463	Construction	\$ 9,045,939	\$ 301,531
Housing Production Fund (HPF)	\$ 3,626,381	\$ 120,879	Contingency	\$ 432,297	\$ 14,410
BHRI	\$ 3,626,381	\$ 120,879	Acquisition	\$ 160,274	\$ 5,342
LIHTC Proceeds	\$ 3,960,658	\$ 132,022	Soft Costs	\$ 927,287	\$ 30,910
Energy Rebates	\$ 25,000	\$ 833	Financing Costs	\$ 543,828	\$ 18,128
RI Rebuild Credits	\$ 475,000	\$ 15,833	Developer Fee	\$ 567,000	\$ 18,900
			Reserves	\$ 1,250,670	\$ 41,689
Total Sources	\$ 12,927,295	\$ 430,910	Total Uses	\$ 12,927,295	\$ 430,910

Bourne Mill III: The Armory Revival Company is the developer. Bourne Mill III is the development of 59 units of mixed-income rental housing in a single newly constructed four-story building located on the site of the redeveloped Bourne Mill complex in Tiverton, RI. The project will have 47 units of affordable rental housing for individuals or families whose income is not more than 60% of AMI and 12 units of market-rate rental housing. With the approval of a \$177,285 award, Bourne Mill III will be able to move to firm commitment, close and commence construction in the next 90 days.

Bourne Mill III

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIHousing 1st Mortgage	\$ 4,375,000	\$ 74,153	Construction	\$ 15,833,620	\$ 268,366
BHRI	\$ 2,794,947	\$ 47,372	Contingency	\$ 1,583,362	\$ 26,837
RIRPF	\$ 1,600,000	\$ 27,119	Acquisition	\$ 577,500	\$ 9,788
Housing Production Fund (HPF)	\$ 177,285	\$ 3,005	Soft Costs	\$ 1,383,907	\$ 23,456
LIHTC Proceeds	\$ 11,750,250	\$ 199,157	Financing Costs	\$ 904,982	\$ 15,339
ZEOS	\$ 250,000	\$ 4,237	Developer Fee	\$ 1,485,100	\$ 25,171
Business Energy Tax Credit	\$ 228,218	\$ 3,868	Reserves	\$ 437,369	\$ 7,413
RI RNC Incentives/Rebates	\$ 192,613	\$ 3,265			
Renewable Energy Fund	\$ 223,280	\$ 3,784	Total Uses	\$ 22,205,840	\$ 376,370
Deferred Developer Fee	\$ 479,247	\$ 8,123			
Seller Loan	\$ 135,000	\$ 2,288			
Total Sources	\$ 22,205,840	\$ 376,370			

Parcel 9 (4%) Parcel 9 is a new construction, mixed-use, mixed-income development on a vacant parcel at the edge of the Fox Point neighborhood in Providence. Pennrose has a purchase option with I-195 Redevelopment District for the property. The project is a “twinning” deal that will include both a 4% and a 9% LIHTC partnership. Pennrose is proposing a 66-unit building that will be condominiumized. The 9% tranche (“Phase A”) will consist of 37 units. The 4% (“Phase B”), will consist of 29 units. Phase B will provide eight units at 30% AMI, 16 at 60% AMI, and five units at 120% AMI. 12 units will be efficiency and 17 units will be one-bedroom. Pennrose has partnered with Children’s Friend and Service and will construct a head start day childcare facility on site. Funding for the childcare facility will be separate from both the 9% and 4% transactions. This HPF award is for \$676,574, which is contingent on Pennrose registering to do business with the State of Rhode Island, completion of standard underwriting and the simultaneous closing of both the 9% and 4% tranches, including review and approval of the reserves for both phases which currently include lease-up and interest fluctuation reserves.

Parcel 9 (4%)

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIHousing 1st Mortgage	\$ 1,739,838	\$ 59,994	Construction	\$ 8,018,537	\$ 276,501
Housing Production Fund (HPF)	\$ 676,574	\$ 23,330	Contingency	\$ 641,484	\$ 22,120
BHRI	\$ 4,852,685	\$ 167,334	Acquisition	\$ 131,217	\$ 4,525
City of Providence HOME	\$ 400,000	\$ 13,793	Soft Costs	\$ 821,816	\$ 28,338
LIHTC Proceeds	\$ 4,043,990	\$ 139,448	Financing Costs	\$ 549,609	\$ 18,952
			Developer Fee	\$ 548,100	\$ 18,900
			Reserves	\$ 1,002,324	\$ 34,563
Total Fee	\$ 11,713,087	\$ 403,900	Per Unit	\$ 11,713,087	\$ 403,900

Fifty Washington Square (“FWS”): FWS is located in the center of Newport’s historic and downtown commercial district. Church Community Housing Corporation (“CCHC”) is the developer. The structure was built in 1911 as the Army/Navy YMCA. In 1988, CCHC converted the structure into a mixed-use building using LIHTC and other financing. LIHTC

apartments were created as well as the 41-bed McKinney Cooperative Emergency Shelter, and commercial office space. Currently, the building has 93 apartments that are subsidized with project-based vouchers or Section 8 mod rehab subsidies through the McKinney Vento Program (“MVHAP Contract”). As part of this proposed transaction, the Development will go through a RAD 2 Conversion which will shift the MVHAP Contract to a 20-year Project Based Rental Assistance (“PBRA”) contract with higher rents. There are three different apartment types within the building: 55 small efficiencies, 15 large efficiencies, and 23 one-bedroom units. This HPF award is for \$153,200, which is contingent on completion of standard underwriting and final construction pricing.

FWS

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIHousing 1st Mortgage	\$ 2,250,000	\$ 24,194	Construction	\$ 10,064,391	\$ 108,219
Debt Rollover	\$ 3,554,078	\$ 38,216	Contingency	\$ 1,509,659	\$ 16,233
PLF	\$ 1,500,000	\$ 16,129	Acquisition	\$ 4,390,000	\$ 47,204
Capital Magnet Funds	\$ 750,000	\$ 8,065	Soft Costs	\$ 1,391,668	\$ 14,964
Housing Production Fund (HPF)	\$ 153,200	\$ 1,647	Financing Costs	\$ 1,082,650	\$ 11,641
BHRI	\$ 800,000	\$ 8,602	Developer Fee	\$ 1,574,015	\$ 16,925
BHRI (additional)	\$ 3,000,000	\$ 32,258	Reserves	\$ 1,143,876	\$ 12,300
LIHTC Proceeds	\$ 4,588,068	\$ 49,334			
Federal Istori Credit Equity	\$ 2,301,353	\$ 24,746			
GP Capital	\$ 698,631	\$ 7,512			
FHLBB AHP	\$ 650,000	\$ 6,989			
Deferred Developer Fee	\$ 813,329	\$ 8,745			
Solar Grant	\$ 16,600	\$ 178			
Cashflow from Operations	\$ 81,000	\$ 871			
Total Sources	\$ 21,156,259	\$ 227,487	Total Uses	\$ 21,156,259	\$ 227,487

Park Holm IV: Park Holm IV is the fourth phase of a planned five-phase redevelopment of an existing 262-unit public housing development located in the City of Newport’s North End. The Housing Authority of the City of Newport, RI (“HACN”) is the developer. The fourth phase involves the demolition of 74 units contained in 21 buildings and the new construction of 51 units in six townhouse-style buildings. The buildings are currently occupied, and residents will be relocated during construction. Apartments will be restricted to households with incomes at or below 60% of AMI. The new homes will be subsidized with a mix of Annual Contribution Contract (“ACC”) subsidy and Section 8 Project-Based Vouchers (“PBV”) from HACN. This HPF award is for \$1,576,250, which is contingent on completion of standard underwriting.

Park Holm IV

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIHousing 1st Mortgage	\$ 2,184,000	\$ 42,824	Construction	\$ 15,348,720	\$ 300,955
BHRI	\$ 2,550,000	\$ 50,000	Contingency	\$ 767,436	\$ 15,048
BHRI (Additional)	\$ 2,000,000	\$ 39,216	Acquisition	\$ 1,000	\$ 20
Housing Production Funds (HPF)	\$ 1,576,250	\$ 30,907	Soft Costs	\$ 1,900,405	\$ 37,263
Capital Magnet Funds	\$ 926,879	\$ 18,174	Financing Costs	\$ 1,134,546	\$ 22,246
LIHTC Proceeds	\$ 9,244,000	\$ 181,255	Developer Fee	\$ 1,178,600	\$ 23,110
HACN Funds	\$ 2,000,000	\$ 39,216	Reserves	\$ 482,930	\$ 9,469
Deferred Fee	\$ 332,508	\$ 6,520			
Total Sources	\$ 20,813,637	\$ 408,111	Total Uses	\$ 20,813,637	\$ 408,111

Bernon Mill (“BM”): BM, located in Woonsocket, is the redevelopment of a historic mill into 60 units of rental housing. The developer is Brisa Ventures LLC. 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 applied for five HUD Section 811 vouchers. The developer received BHRI funds and preliminary approval of the tax-exempt financing, 4% LIHTC and the permanent loan. This \$2,790,000 of HPF is a portion of gap funds needed to complete the capital stack and is contingent on completion of standard underwriting.

Bernon Mill

Sources	Amount	Per Unit	Uses	Amount	Per Unit
RIHousing 1st Mortgage	\$ 2,160,000	\$ 36,000	Construction	\$14,892,000	\$ 248,200
BHRI	\$ 4,000,000	\$ 66,667	Contingency	\$ 1,116,900	\$ 18,615
RIRPF	\$ 500,000	\$ 8,333	Acquisition	\$ 2,659,960	\$ 44,333
Housing Production Fund (HPF)	\$ 2,790,000	\$ 46,500	Soft Costs	\$ 2,249,318	\$ 37,489
Capital Magnet Funds	\$ 300,000	\$ 5,000	Financing Costs	\$ 1,303,091	\$ 21,718
LIHTC Proceeds	\$ 8,372,486	\$ 139,541	Developer Fee	\$ 1,134,000	\$ 18,900
Federal Historic Proceeds	\$ 3,994,344	\$ 66,572	Reserves	\$ 1,411,250	\$ 23,521
State Historic Proceeds	\$ 1,838,250	\$ 30,638			
Woonsocket HOME	\$ 500,000	\$ 8,333	Total Uses	\$24,766,519	\$ 412,775
Deferred Fee	\$ 311,439	\$ 5,191			
		\$ -			
Total Sources	\$ 24,766,519	\$ 412,775			

The Millrace District (“Millrace”): Millrace is the adaptive re-use of three vacant mill buildings into a mixed-use/mixed income project. The developer is NeighborWorks Blackstone River Valley (“NWBRV”). The project will completely rehabilitate a blighted and environmentally contaminated space into 70 affordable ‘live/work’ studio/one-bedroom/two-bedroom units, along with office, retail and arts fabrication space. Of the 70 residential units, 55 will be affordable to households with incomes between 30% and 60% of AMI. The remaining 15 units are market rate but will be targeted to residents earning between 80% and 120% AMI. With the approval of a \$1,000,310 HPF award, Millrace will be able to move to firm commitment, close and commence construction in the next 90 days.

Millrace

Sources	Commercial	Residential	Uses	Commercial	Residential
Citizen's 1st Mortgage		\$ 1,350,000	Construction	\$ 2,628,752	\$ 17,868,403
RI Housing HOME		\$ 2,000,000	Contingency	\$ 262,875	\$ 1,786,840
Housing Trust Fund (HTF)		\$ 1,745,430	Acquisition	\$ 987,999	\$ 2,174,901
Cmf		\$ 100,000	Soft Costs	\$ 509,275	\$ 1,721,031
BHRI		\$ 2,949,401	Financing Costs	\$ 519,283	\$ 1,218,717
RIRPF		\$ 1,419,000	Developer Fee	\$ 501,918	\$ 1,396,500
Housing Production Fund (HPF)		\$ 1,000,310	Reserves	\$ 95,000	\$ 458,741
LIHTC Proceeds		\$ 10,724,412			
FHTC Proceeds	\$ 1,046,569	\$ 3,682,614			
SHTC Proceeds	\$ 3,483,533	\$ 828,966			
FHLB AHP		\$ 650,000			
Acquisition Revitalization Program	\$ 975,000				
NWBRV		\$ 175,000			
Total Sources	\$ 5,505,102	\$ 26,625,133	Total Uses	\$ 5,505,102	\$ 26,625,133

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June 16, 2022

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 along with an external advisory committee (“Advisory Committee”) recommend that HPF funds be committed to the proposals listed in Attachment A; and

WHEREAS, RIHousing staff and the Advisory Committee 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 \$10,000,000 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 and the Advisory Committee, as set forth in Attachment A.

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.