



Workforce Housing Innovation Challenge Loan Program

STATEMENT OF NEED

Rhode Island is a state on the move. We've made great strides, working diligently to bolster the economy by creating jobs, attracting a talented workforce and investing in housing. These efforts are critical pieces of the State's economic development strategy. It is estimated that a workforce of 3.7 million people live within a 50-mile commute of Providence.¹

With this employment growth comes a critical question: where will the people who fill these jobs live?

A thriving community has a mix of housing types offered at a variety of price points. Currently, the state's housing stock and building activity aren't adequately addressing all segments of the housing market. The high cost of land, energy, labor, and materials, as well as burdensome regulations and restrictive zoning make it just as expensive to build in Rhode Island as it is to build in Massachusetts. With lower rents in Rhode Island, the math on these projects doesn't work.

In recent years, most new housing has been built in the "luxury" segment of the market.² Housing targeted to people who cannot afford "luxury" rents has been built, but typically only where subsidies were available. However, subsidies are almost always reserved for units that serve families with incomes below 60% of AMI, about \$43,260 for a family of four in Providence. Even though a growing number of middle-income households are housing cost-burdened (27.7%)³—there are no subsidies to help create units for middle-income renters.

RESPONSE TO NEED

In response to the need for a range of housing opportunities, RI Housing has developed the Workforce Housing Innovation Challenge (WHIC), a loan program to finance a limited number of innovative proposals to develop housing that is affordable to households earning from 80% up to 120% of the area median income ("AMI"). The WHIC financing will address the affordable housing needs of the state's workforce, who are increasingly caught in the gap between rising market rents and ineligibility for other affordably assisted housing.

¹ Analysis of American Community Survey 2017 5-yr sample. Total labor force.

² Analysis of CoStar database. Average asking rent for 2-bed units built 2013-2018, statewide. 'Luxury' defined as rent above \$1800, the approximate affordability threshold for median-income households.

³ Analysis of American Community Survey 2017 5-yr sample. Homeowners and renters combined, statewide.

Workforce Housing Innovation Challenge Loan Program Guidelines

PROGRAM REVIEW CRITERIA

In awarding WHIC financing, RIHousing has identified the following priorities for projects:

1. Located in Rhode Island's designated **Opportunity Zone** census tracts across the following fifteen municipalities: Bristol, Central Falls, Cranston, Cumberland, East Providence, Narragansett, Newport, North Providence, Pawtucket, Providence, South Kingstown, Warren, West Warwick, Westerly, and Woonsocket (see Attachment B) and the 195 land parcels.
2. Incorporate innovative design features in the development. These innovative design features may include higher density development, utilization of public land, commercial linkage fees such as employer housing investment and municipal zoning waivers.
3. Propose replicable financing and ownership structures that leverage both private investment and public subsidies to ensure long-term affordability.
4. Promote successful ongoing relationships between private enterprise and public agencies.
5. Provide workforce housing opportunities at the lowest cost.
6. Incorporate energy efficient design; projects will be measured against National Grid's RNC Tier II standards.
7. Where comparable market rents exceed an average of 80% AMI, each workforce unit will receive one (1) bonus point for every 10 basis point differential between a) the workforce unit's rental restriction as a percentage of AMI and b) the same unit's market rate rent as a percentage of AMI. These bonus points are unlimited and intend to award the projects that "buy-down" the greatest workforce affordability.

Threshold Criteria

To be considered for WHIC financing, projects must meet the following threshold criteria:

- At least 20% of the project units must be affordable to residents earning less than 100% of the area median income.
- A project must include at least 10 apartments.
- Applicant must demonstrate site control.
- Applicant must demonstrate experience and capacity to develop and operate the development.
- Applicant must demonstrate that the project can close on all equity, construction and permanent financing and commence construction within 24 months of the award of financing.

Applications must pass Threshold to be considered under the Scoring Criteria.

Scoring Criteria

Responsiveness to Workforce Housing needs - Up to 15 points

1. Housing is located within a state designated Opportunity Zone (5 points)
2. Housing is located within 2 miles of a large (>100 employees) employer (5 points)
3. Housing is located within walking distance to public transit (5 points)

Leveraging - Up to 20 points

WHIC investment per affordable unit is:

1. less than 10% of the total development cost of a unit. (20 points)
2. less than 15% of the total development cost per unit (15 points)
3. less than 20% of the total development cost per unit (10 points)
4. less than 25% of the total development cost per unit (5 points)

Readiness to Proceed – Up to 20 points

1. Project has 100% plans and specifications and building permits secured or no building permits necessary (20 points)
2. Project is fully permitted with building permits secured – plans and specifications are 75% complete (10 points)
3. Project has master, preliminary and final plan approval (5 points)

Innovative Practices - Up to 25 points

1. Development is located on public or donated land. (5 points)
2. Development is being financed with employer contribution of funds. (5 points)
3. Developer has negotiated a tax stabilization agreement, waiver of impact fees or similar municipal subsidy. (5 points)
4. Developer has negotiated zoning concessions that permits increased density or other zoning relief that has resulted in development cost savings. (5 points)
5. Development demonstrates an ability to achieve NGRID's RNC Tier II standards or greater. (5 points)

Total Development Cost – Up to 20 points

1. Project total development cost per unit at or below \$200,000 (20 points)
2. Project total development cost per unit between \$200,001 and \$225,000 (15 points)
3. Project total development cost per unit between \$225,001 and \$250,000 (10 points)
4. Project total development cost per unit between \$250,001 and \$300,000 (5 points)

Bonus Points – Unlimited

1. Income Targeting - Development that incorporates at least 10% of units for households at or below 80% of area median Income (10 points)
2. Workforce Affordability Buy-down: For developments with an average market rent greater than 80% AMI, each workforce unit will receive one (1) point for every 10 basis

point differential between a) the workforce unit's rental restriction as a percentage of AMI and b) the same unit's market rate rent as a percentage of AMI. (unlimited points)