

**Request for Action
by
Board of Commissioners**

**Revised Approval of Supportive Housing Acquisition
Program Award for Rockville Mill**

A. SUMMARY

This Request for Action (“RFA”) is for a revised approval of Supportive Housing Acquisition Program financing for Rockville Mill, a 14-unit affordable housing development in Hopkinton, Rhode Island. In September 2020, the Board of Commissioners approved an award of \$775,000.00 for this purpose based on an initial offer by applicant, Marathon Construction, Inc. (“MCI”), to the court-appointed receiver controlling the subject property; however, with the public bidding process now complete and a final purchase price established, staff requests Board of Commissioner (the “Board”) approval of a revised award in the amount of \$920,000.00.

The Board may recall that in response to the COVID-19 public health crisis, the State of Rhode Island made funds available from the State’s Coronavirus Relief Fund (“CRF”) allocation under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, to acquire real property for the immediate purpose of providing supportive housing for individuals and families experiencing homelessness. Following a competitive process, staff recommended the approval of three projects totaling \$2,058,700.00, including \$775,000.00 to MCI for Rockville Mill. This funding was approved at a regular meeting of the RIHousing Board of Commissioners on September 17, 2020.

Subsequent to the September Board meeting, on September 21, 2020, a hearing was held in Rhode Island Superior Court in the matter of the disposition of Rockville Mill. All prospective buyers were afforded the opportunity to improve upon their submitted offers and an auction was conducted. Multiple parties participated in the auction. At the conclusion, the acquisition price of the property had increased from MCI’s initial offer of \$710,000.00 to a best and final price of \$855,000.00, which was accepted by the receiver and approved by the judge.

Consistent with its initial application to RIHousing for Supportive Housing Acquisition Program funding, MCI contemplates transaction costs not to exceed \$65,000.00, for a total revised award request of \$920,000.00.

B. RECOMMENDATION

The attached resolution authorizing a revised Supportive Housing Acquisition Program award for Rockville Mill is recommended for approval subject to the following:

- Funding being made available by the State of Rhode Island, whether from unrestricted State funds or a portion of the State’s allocation of CRF funds under the CARES Act, for use by RIHousing;

- Execution of a final written agreement by and between the State of Rhode Island and RIHousing related to the allocation and use of the CRF funds;
- Receipt of a current appraisal supporting the acquisition price;
- Approval by RIHousing of the terms of the real estate acquisition transaction, and receipt of required due diligence;
- Performance of deal specific conditions contained in the developer's response to the request for proposal;
- Zoning, planning and occupancy approvals provided by the municipality in which the site is located;
- Concurrence by appropriate agencies of the State of Rhode Island that the project meets the intent and criteria of the Supportive Housing Acquisition Program;
- Developer's written commitment to operating the property as housing for homeless individuals and families impacted by COVID-19 for a minimum of three (3) years or until RIH approval of a development plan for permanent supportive housing, and fund any operating deficit, which is currently estimated at \$120,000 per annum;
- Execution and delivery of all documents necessary to effectuate the transaction; and
- Completion of all items required for closing in accordance with the request for proposals and the timeline specified therein.

C. ATTACHMENTS

- A.** Development Summary
- B.** Proposal Summary, Conditions & Site Location Map
- C.** Resolution

Attachment A
Development Summary

A. Development Team

- | | |
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| 1. Sponsor: | Marathon Construction, Inc.
Harry Angevine, President
580 Harrison Avenue
Boston, MA 02118 |
| 2. Mortgagor: | TBD (a Limited Partnership yet to be formed) |
| 3. Homeless Services
Provider | House of Hope CDC
3188 Post Road
Warwick, RI 02886 |
| 3. Consultant: | Women's Development Corporation
861A Broad Street
Providence, RI 02907 |

Attachment B
Proposal Summary, Conditions & Site Location Map

Marathon Construction, Inc. (“MCI” or “Developer”)

In partnership with the House of Hope Community Development Corporation, and with consultation from Women’s Development Corporation, Marathon Construction, Inc. initially requested \$775,000 for the acquisition of the 14-unit Rockville Mill located in Hopkinton. Rockville Mill was an existing affordable housing development formerly subsidized under a combination of federal, state, and local affordable housing subsidy programs. The developer will preserve the affordable housing units for permanent supportive housing. The units are comprised of four 1-bedroom, six 2-bedroom and three 3-bedroom apartments for a total of 25 bedrooms.

Following a receivership proceeding, the court-appointed receiver controlling Rockville Mill has been authorized to sell the property to MCI at the acquisition price of \$855,000. MCI anticipates incurring \$65,000 in transaction costs and has made an amended request for Supportive Housing Acquisition Program funds totaling \$920,000.

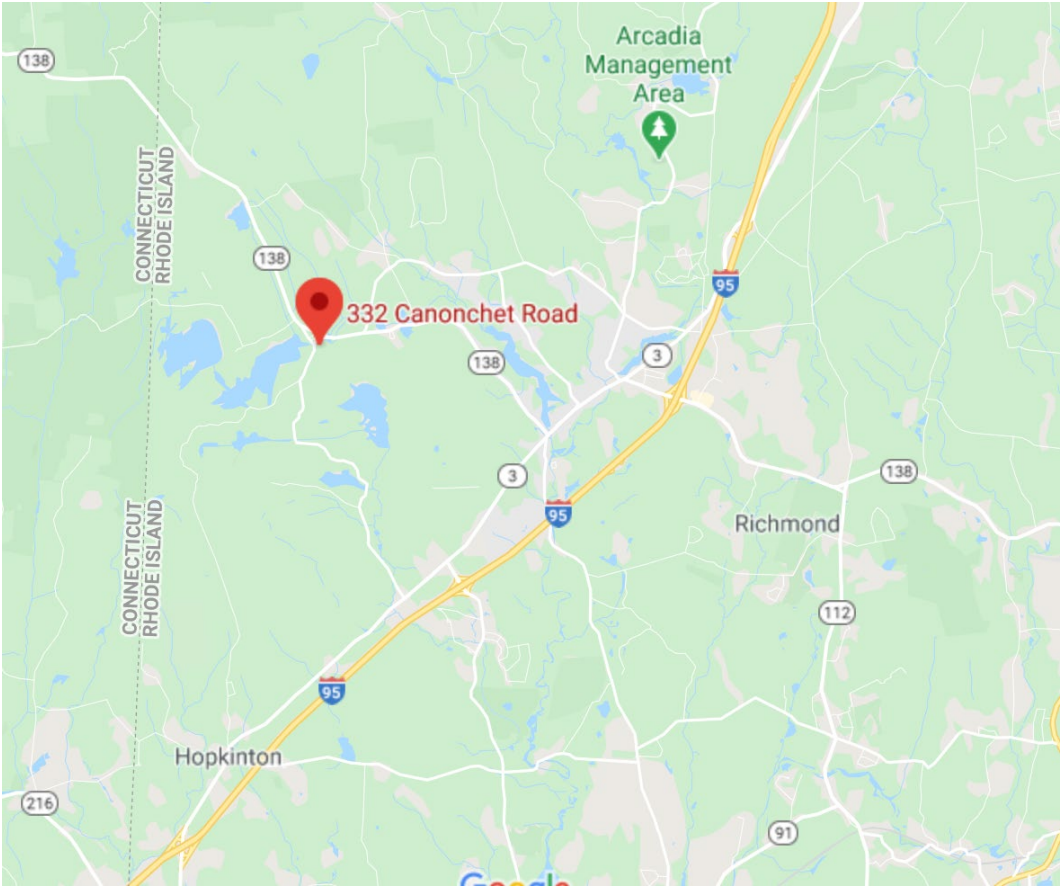
The risk associated with this development appears low as the condition of the property seems to be in good working order and the development team has sufficient capacity to handle the acquisition, construction and operation of the property.

Conditions for initial approval included the following (without limitation):

- Approval by the receiver for transfer of the asset;
- Evidence of property acquisition or execution of a legally binding agreement for acquisition;
- Continuation of existing affordable housing restrictions;
- Delivery of the fourteen (14) residential units in move-in condition by November 30, 2020 with final housing condition subject to RIHousing approval;
- Developer’s written commitment to fund the construction related improvements and tenant furnishings necessary to deliver the residences in move-in condition with its own capital. The estimated construction budget is \$80,000;
- Developer acknowledgment that there is no existing operating subsidy;
- Developer’s written commitment to operating the property as housing for a minimum of three (3) years and fund any operating deficit, which is currently estimated at \$120,000 per annum;
- Developer’s written commitment to maintain tenant income certification and to comply with RIHousing asset management requirement;
- RIHousing approval of agreement(s) between MCI, Women’s Development Corporation (consultant), Housing Opportunities Corporation (property management), House of Hope Community Development Corporation (supportive service provider) and all other related development entities (the “Parties”); and
- Receipt by RIHousing of the applicable standard property due diligence:

- Legal use and occupancy of 14 residential units and 1 commercial unit;
- Transfer of title free of liens and encumbrances (other than aforementioned existing affordability restrictions);
- Survey (if available);
- Taxes and utilities paid up-to-date prior to acquisition;
- General Contractor's license;
- Contractor's general liability, motor vehicle liability and worker's compensation insurance;
- Construction permit (if applicable);
- Fee Affidavit required for any party to receive \$20,000 or more in the transaction;
- Certificate of legal existence of all Parties issued by the Rhode Island Secretary of State;
- Certificate or letter of good standing of all Parties issued by the Rhode Island Secretary of State;
- Proof of taxpayer identification number for all Parties;
- Fire, casualty (with extended coverage) and public liability insurance to include not less than 100% replacement cost;
- Approval by RIHousing of the tenant leases; and
- Additional documentation as required by RIHousing (in its sole and absolute discretion).

Rockville Mill Location:



Attachment C

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

Whereas: the State of Rhode Island has agreed to make up to \$7,000,000 available for the acquisition of real property for the immediate purpose of providing supportive housing for individuals and families experiencing homelessness during the COVID-19 public health emergency;

Whereas: Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has agreed to assist the State of Rhode Island to make awards to qualified subawardees by carrying out a competitive process and administering a financial assistance program;

Whereas: since receiving initial approval of an award from the RIHousing Board of Commissioners on September 17, 2020, the applicant (“Applicant”) listed below has presented a revised application to RIHousing requesting funds to acquire the following properties:

<u>Development</u>	<u>Applicant</u>	<u>Award</u>
Rockville Mill	Marathon Construction, Inc.	\$920,000

Whereas: staff has reviewed this revised submission and determined that the development continues to meet the threshold criteria for the Supportive Housing Acquisition Program funds, as such criteria were set forth in the applicable request for proposals; and

Whereas: subaward will remain contingent upon the housing sponsor’s agreement to long term affordability restrictions among other representations and covenants in a note, mortgage, and other program documents held by RIHousing.

NOW, THEREFORE, IT IS HEREBY:

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes the revision of the Supportive Housing Acquisition Program award to a total amount of \$920,000.00 to the aforementioned applicant and its respective project as set forth in Attachment B.

Resolved: that the foregoing resolution is subject to the following conditions:

- Funding being made available by the State of Rhode Island, whether from unrestricted State funds or a portion of the State's allocation of Coronavirus Relief Fund ("CRF") funding under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, for use by RIHousing;
- Execution of a final written agreement by and between the State of Rhode Island and RIHousing related to the allocation and use of the CRF funds;
- Receipt of a current appraisal supporting the acquisition price;
- Approval by RIHousing of the terms of the real estate acquisition transaction, and receipt of required due diligence;
- Performance of deal specific conditions contained in the applicant's response to the request for proposal;
- Zoning, planning and occupancy approvals provided by the municipality in which the site is located;
- Concurrence by appropriate agencies of the State of Rhode Island that the project meets the intent and criteria of the Supportive Housing Acquisition Program;
- Developer's written commitment to operating the property as housing for homeless individuals and families impacted by COVID-19 for a minimum of three (3) years or until RIH approval of a development plan for permanent supportive housing, and fund any operating deficit, which is currently estimated at \$120,000 per annum;
- Execution and delivery of all documents necessary to effectuate the transaction; and
- Completion of all items required for closing in accordance with the request for proposals and the timeline specified therein.

Resolved: that the Executive Director, the Deputy Executive Director, or the Director of Development, each acting singly, shall and are hereby authorized to take any and all actions they deem necessary to carry out the foregoing resolutions, including the execution of such agreements, instruments, or documents as may be relevant to the transaction.