

**Request for Action
by
Board of Commissioners**

Approval of Supportive Housing Acquisition Program Awards

A. SUMMARY

This Request for Action (“RFA”) is for approval of financing in the amount of \$2,058,700 for the acquisition of three (3) supportive housing properties to be used in the short term to alleviate the effects of COVID-19, and in the long term as affordable permanent supportive housing.

In response to the COVID-19 public health crisis, the State of Rhode Island is making up to \$7,000,000 available, whether from unrestricted State revenue or the State’s Coronavirus Relief Fund 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.

In July 2020, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) published a Request for Proposals (“RFP”) to solicit applications for the acquisition of real property to be used to alleviate the effects of COVID-19 on persons and families experiencing homelessness, and for the long term as permanent supportive housing. Notably, to allow the State flexibility to fund the program with federal Coronavirus Relief Fund dollars, the RFP requires initial occupancy no later than November 30, 2020 and restricts the eligible use to acquisition. Capital improvements and operating expenses are ineligible. The RFP is included as Attachment A hereto. The financial assistance will take the form of a zero interest forgivable loan, and will be evidenced by a note, and secured by a mortgage and program agreement.

RIHousing received three (3) applications totaling \$2,058,700. Each application was reviewed by a committee of Development Division staff and has been determined to meet the selection criteria set forth in the RFP. The three (3) applications proposed for award are summarized in Attachment B hereto.

B. RECOMMENDATION

The attached resolution authorizing the Supportive Housing Acquisition Program Awards is recommended for approval subject to the following:

- The 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 Funds under the CARES Act, for use by RIHousing shall be pursuant to a written agreement.
- Receipt by RIHousing of required due diligence associated with the real estate acquisitions; and
- Performance of deal specific conditions pertaining to the individual proposals.

C. ATTACHMENTS

- A.** RIHousing Request for Proposals
- B.** Proposal Summary, Conditions & Site Location Maps
- C.** Resolution

ATTACHMENT A
RIHousing Request for Proposals

ATTACHMENT B
Proposal Summary & Site Location Maps

1. AIDS Care Ocean State, Inc. (“ACOS”)

ACOS requests \$570,000 to purchase 520 West Avenue in Pawtucket, a 4-unit multifamily building in move-in condition. ACOS will restrict the apartments to 30% AMI to house homeless HIV and low-income residents. The subject location is within proximity to public transportation, health care and city amenities. The property is under agreement and contingent on the funding award. Three (3) of the four (4) units are vacant and one (1) of the units is leased until June of 2021.

ACOS has sufficient property management experience with its 76 low-income units under management and a balance sheet with adequate funding to handle unexpected property expenses. Since 1982, ACOS has served persons living with HIV/AIDS and related residents by providing affordable housing.

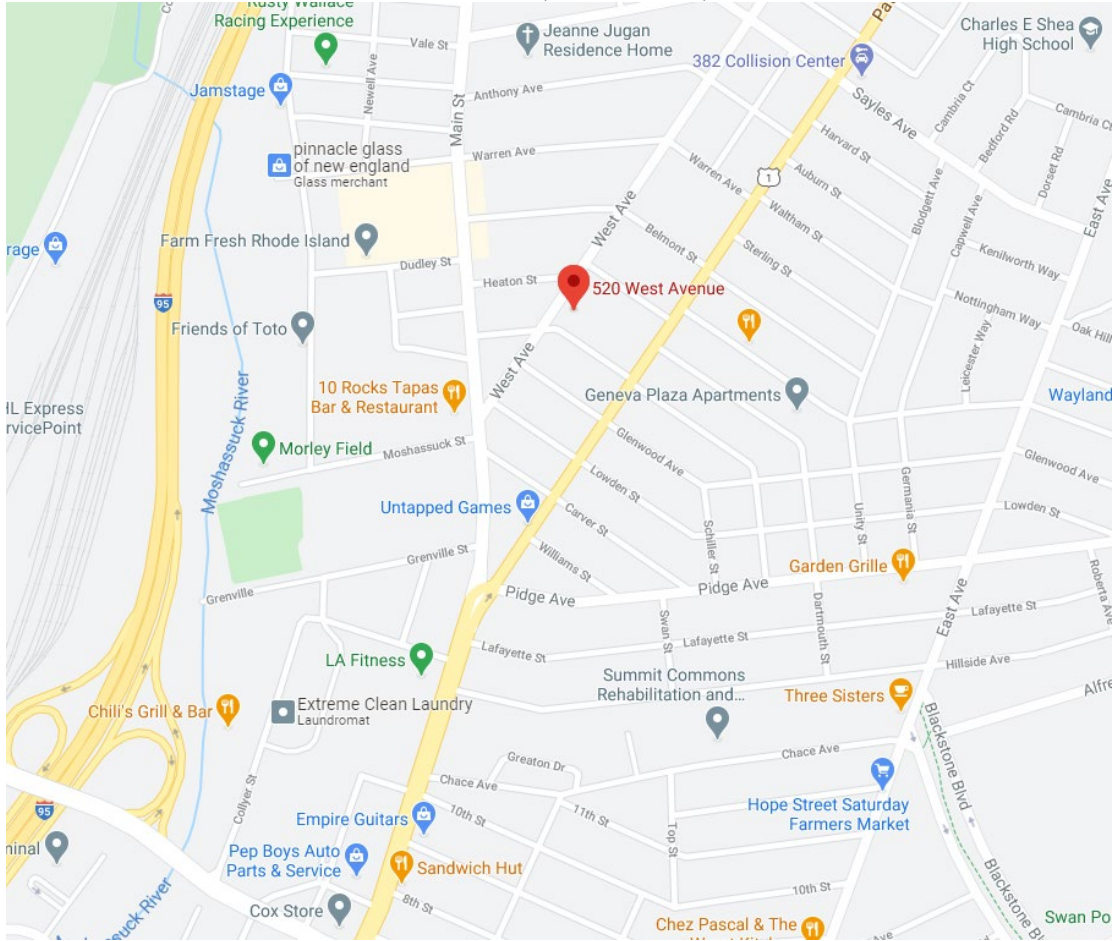
The risk associated with this investment is low as the property is ready for occupancy and the developer has sufficient capacity to effectuate this transaction.

Conditions for approval include the following:

- Evidence of property acquisition or execution of a legally binding agreement for acquisition;
- Approval by RIHousing of the purchase and sale agreement for the subject property;
- Availability of the temporary housing in move-in condition by November 30, 2020 with final housing condition subject to RIHousing approval;
- Receipt of a written commitment from ACOS to pursue a long-term affordable housing restriction on the property;
- Receipt of certificate of legal use and occupancy as a multifamily residential dwelling;
- Receipt of applicable life safety, smoke and/or fire alarm approvals;
- Evidence of satisfactory radon and lead safety testing;
- Receipt of a satisfactory certified home inspection with no major deficiencies, structural or safety issues;
- Tax abatement approval by the City of Pawtucket or commitment by ACOS to fund taxes, if required;
- Receipt of operating plan detailing safety requirements for staff and residents;
- Developer’s written commitment to fund any construction related improvements and tenant furnishings necessary to deliver the residences in move-in condition with its own capital;
- Developer acknowledgment that there is no existing operating subsidy;
- Developer’s written commitment to operating the property as temporary housing for a minimum of three (3) years and fund any operating deficit;
- Developer’s written commitment to maintain tenant income certification and to comply with RIHousing asset management requirement; and
- Receipt by RIHousing of the applicable standard property due diligence:

- Transfer of title free of liens and encumbrances;
- Survey (if available);
- Taxes and utilities paid up-to-date prior to acquisition;
- General Contractor's license (if applicable);
- 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;
- Evidence of fire alarm and utilities testing; and
- Additional documentation as required by RIHousing (in its sole and absolute discretion).

520 West Ave, Pawtucket, RI



2. **Marathon Construction, Inc. (“MCI”)**

In partnership with the House of Hope Community Development Corporation, and with consultation from Women’s Development Corporation, Marathon Construction, Inc. requests \$775,000 for the acquisition of the 14-unit Rockville Mill located in Hopkinton, which will undergo a light rehabilitation financed by the developer. Rockville Mill, which is currently in receivership, 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.

MCI will provide \$239,800 of its own capital to fund the light rehabilitation and softs costs required to restore the units as permanent supportive housing. The US Post Office is an existing tenant paying approximately \$26,000 of rent annually.

The rural location of Hopkinton raises the question if the location is accessible for homeless residents who may not have automobile access. House of Hope Community Development Corporation has indicated it is aware of at least 20 homeless households currently residing in vehicles or RV type homes. Furthermore, RIPTA will provide on-demand service to the subject location as the nearest bus stop is 2.1 miles away.

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. A preliminary approval letter was provided to the developer and receiver in order to meet a hearing date necessitated by the state court receivership proceeding.

Conditions for approval include the following:

- 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 Rhode Island Housing 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:



3. Crossroads Rhode Island

Crossroads Rhode Island (“Crossroads”) seeks \$713,700 to acquire the former Greater Providence YMCA, which was occupied until late 2018. Kite Architects suggests the facility may be used as a temporary shelter with a special permit granted by the City of Providence Zoning Board and the architect also indicates the building is ready for occupancy with no additional work needed to create the temporary shelter.

The improvements have 5,597 SF of first floor area over a full basement with approximately 90% of the basement finished totaling 5,037 SF. There is an elevator on the property, which makes the lower level accessible and usable. The property was built circa 1955 and is supported by 3 lots totaling 31,800± SF of land area.

Crossroads proposes to accommodate 30 individuals in 2 common sleeping rooms with access to common bathrooms. Utilizing FEMA supplied cots, 12 cots would be placed in 1 room and 18 cots placed in another room with a 6-ft radius of separation between the cots.

The development team has a depth of experience to acquire and operate real estate as temporary supportive housing. Crossroads has indicated it will pursue an affordable housing restriction and future development of the property into permanent supportive housing.

The risk associated with the temporary housing development is limited to the approval of the property’s intended use by the City of Providence zoning, building and life safety departments/divisions.

Conditions for approval include the following:

- Evidence of property acquisition or execution of a legally binding agreement for acquisition;
- Approval by RIHousing of the final purchase and sale agreement for the subject property;
- Delivery of the temporary housing in move-in condition by November 30, 2020 with final housing condition subject to RIHousing approval;
- Receipt of written commitment to pursue a long-term affordable housing restriction on the property;
- Approval of a special use permit and certificate of occupancy by the City of Providence for the intended use, including life safety and fire alarm approvals, if applicable;
- Receipt of an interior plan specifying the location of the beds with required separation and means of egress;
- Receipt of an operating plan detailing safety requirements for staff and residents;
- 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;
- Developer acknowledgment that there is no existing operating subsidy;
- Developer’s written commitment to operating the property as temporary housing for a minimum of three (3) years and fund any operating deficit;
- Developer’s written commitment to maintain tenant income certification and to comply with RIHousing asset management requirement;

- RIHousing approval of the agreement(s) between Crossroads Rhode Island, KITE Architects and all other related development entities (the “Parties”); and
- Receipt by RIHousing of the applicable standard property due diligence:
 - Transfer of title free of liens and encumbrances;
 - 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;
 - Evidence of fire alarm and utilities testing; and
 - Additional documentation as required by RIHousing (in its sole and absolute discretion).

Former YMCA 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: the applicants (“Applicants”) listed below have each presented an application to RIHousing requesting funds to acquire the following properties:

<u>Development</u>	<u>Applicant</u>	<u>Award</u>
520 West Avenue	AIDS Care Ocean State, Inc.	\$570,000
Rockville Mill	Marathon Construction, Inc.	\$775,000
371 Pine Street	Crossroads Rhode Island	\$713,700

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

Whereas: subawards will be 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;

Whereas, RIHousing finds that:

- (1) in order to address the public health crisis precipitated by the COVID-19 virus, there is a need for additional housing for shelter-dependent homeless individuals;
- (2) that there is a lack of housing currently available to this vulnerable population such that innovative options should be pursued;
- (3) that the housing sponsor or sponsors undertaking the proposed housing development will supply well planned, well designed housing for shelter-dependent homeless individuals;

(4) that the proposed housing to be assisted will be of public use and will provide a public benefit; and

(5) that the proposed housing will be undertaken, and the housing sponsor or sponsors regulated pursuant to the authority and within the restrictions provided for by the Rhode Island Housing and Mortgage Finance Corporation Act, Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved: that, subject to the special conditions listed below, RIHousing hereby authorizes approval of Supportive Housing Acquisition Program funding in the total amount of \$2,058,700 to the aforementioned developers and their respective projects as set forth in Attachment B.

Resolved: that the foregoing resolutions are subject to the following conditions:

- Availability of sufficient funds from the State of Rhode Island;
- Final written agreement by and between the State of Rhode Island and RIHousing;
- Satisfactory terms of the acquisition transactions;
- Execution and delivery of all documents necessary to effectuate each transaction;
- Concurrence by appropriate agencies of the State of Rhode Island that the projects meet the intent and criteria of the Supportive Housing Acquisition Program;
- Zoning, planning and occupancy approval provided by the municipality in which each site is located; and
- Completion of all items required for closing in accordance with the timeline specified in the request for proposals.

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 transactions.