

**Request for Action
by the Trustees of the
Affordable Housing Trust Fund**

Approval of Workforce Housing Innovation Challenge Program Awards

A. Project Summary

This Request for Action (“RFA”) is for the approval of four awards under the Workforce Housing Innovation Challenge Program (“WHIC Program”) authorizing the allocation of up to \$5,860,000 in WHIC Program funds. The WHIC Program was created to provide financing for the development of workforce rental housing serving households at or below 120% of Area Median Income (“AMI”). Originally established by Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”), the WHIC Program has been funded by the AHT since 2019.

B. Summary of Issues

In 2016, HousingWorksRI conducted a study that projected the need for additional workforce housing units at 3,500 each year for 10 years. This deficit continues today; Rhode Island’s housing stock doesn’t adequately address all segments of the housing market. Most new housing has been built in the luxury segment of the market. Moreover, RIHousing’s resources are generally reserved for low-income housing units serving families under 60% of AMI, which in Providence is approximately \$51,900 for a family of four.

In response to these conditions and to assist housing-cost-burdened, middle-income families, the WHIC Program is currently budgeted at \$8,000,000. The WHIC Program targets the development of housing for households earning up to 120% of AMI. Consideration was given to projects that included:

- Local Support
- Innovation
- Replicability
- Mixed-Income
- Areas facing gentrification
- Higher Density
- Opportunity Zones
- Employer Support
- Public Private Partnership
- Areas with market rents above 80% AMI

C. Executive Summary

In January of 2021, RIHousing issued a Request for Proposals (“RFP”) for WHIC Program funds. In response to the RFP, RIHousing received 11 proposals requesting \$12,323,529. The WHIC Program applications were then reviewed in accordance with the threshold criteria set forth in the RFP:

- Applications must be complete, including all attachments.
- The applicant must be an eligible applicant for the funding source being requested.

- Properties and activities proposed for consideration must be eligible for the funding source being requested.
- At least 20% of the project units must be affordable to residents earning less than 100% of the AMI.
- A project must include at least 10 apartments.
- The applicant must demonstrate site control of the development.
- The developer must demonstrate capacity to complete the proposed project.
- Proposals must be financially feasible as presented.
- Projects must be ready to proceed within 24 months of firm financing commitment.
- Proposed assistance amounts must meet all appropriate funding source requirements.
- Proposals must meet all applicable construction and rehabilitation guidelines.

Eligible WHIC Program applications deemed to have met the threshold requirements were then reviewed by RIHousing staff and scored based upon the criteria outlined in the WHIC Program Guidelines. While not a threshold component, a discount to the current market rents was also considered as part of the review of overall eligibility for WHIC Program funds.

RIHousing program staff met with senior staff and reviewed the applications based on threshold eligibility and scoring. As a result of that review, four WHIC Program proposals seeking resources in the amount of \$5,860,000 are being recommended for commitment. The recommended developments will help build or preserve 301 units and create 74 workforce-assisted units. Three projects are located in Providence and one is in West Warwick.

D. RECOMMENDATION

The attached resolution authorizing the allocation of up to \$5,860,000 in WHIC Program funds for four developments is recommended for approval contingent upon commitment of all project financing and compliance with WHIC Program Guidelines including final underwriting and satisfactory staff review of site environmental reports.

E. ATTACHMENTS

- A. Funding Recommendations
- B. Resolution

Attachment A

Funding Recommendation

The attached resolution recommends approval of Workforce Housing Innovation Challenge Program (“WHIC Program”) funds for the following projects totaling \$5,860,000.

Leveraging with Recommended Current Round WHIC Program funds:

WHIC Cost	WHIC Units	Total Units	WHIC Cost per WHIC Unit
\$5,860,000	74	301	\$80,000

Recommendations for approval are as follows:

1. Studley Building – Providence

The property at 82 Weybosset Street is located in an Opportunity Zone and was acquired by Paolino Properties through Studley Bldg. Enterprises L.L.C. on February 17, 2006. The owner intends to undertake a substantial rehabilitation of the property, which will retain a commercial use on the ground floor, while creating 65 rental housing units on floors two through six. ZDS, Inc. has provided 100% completed plans featuring a combination of one-bedroom (5), studio (20), and micro-loft (40) units with net rents ranging from \$1,300-\$1,800 per month. Staff determined that the micro-loft units were not suitable for WHIC Program funds. There will be 14 workforce units comprised of two one-bedroom and 12 studio apartments. The workforce units will be restricted to 100% AMI.

Sources/Uses Chart:

USES	Amount	\$/Unit	% of Total
Acquisition	\$7,500,000	\$113,636	35%
Construction & Contingency	\$12,033,000	\$182,318	56%
Soft Costs	\$1,703,000	\$25,803	8%
Financing Fees	\$420,000	\$6,364	2%
Reserves & Escrows	\$0	\$0	0%
Developer Fee	\$0	\$0	0%
Total Development Costs	\$21,656,000	\$328,121	100%

SOURCES	Amount	\$/Unit	% of Total
Senior Loan	\$10,000,000	\$151,515	46%
Workforce Housing Loan	\$1,120,000	\$16,970	5%
Building Equity	\$7,500,000	\$113,636	35%
Cash Equity	\$3,036,000	\$46,000	14%
Total Sources	\$21,656,000	\$328,121	100%

2. Arctic Mill – West Warwick

The Arctic Mill Development is the adaptive reuse of two separate historic textile mill buildings built in 1854 into a mixed-use complex comprised of both commercial space and residential rental apartments. The existing mill complex is situated along the Pawtuxet River in West Warwick, Rhode Island. The proposed 125,000 sq. ft. development includes 136 apartments, 15,000 square feet of commercial/retail/office space, a restaurant/brewery, recreational spaces, and water access. 105 of the units will be rented at market rates which are estimated at 98% AMI and 31 workforce units will be restricted to 80% AMI.

Sources/Uses Chart:

USES	Amount	\$/Unit	% of Total
Acquisition	\$850,000	\$6,204	3%
Construction & Contingency	\$22,208,025	\$162,102	76%
Soft Costs	\$1,692,000	\$12,350	6%
Financing Fees	\$180,500	\$1,318	1%
Reserves & Escrows	\$1,020,000	\$7,445	3%
Developer Fee	\$3,373,568	\$24,625	12%
Total Development Costs	\$29,324,093	\$214,044	100%

SOURCES	Amount	\$/Unit	% of Total
Centreville Bank Senior Loan	\$15,300,000	\$111,679	52%
Workforce Housing Loan	\$2,480,000	\$18,102	8%
Federal Historic Tax Credit Equity	\$4,257,000	\$31,073	15%
Rebuild RI Tax Credit Proceeds	\$2,000,000	\$14,599	7%
Private Equity	\$5,287,093	\$38,592	18%
Total Sources	\$29,324,093	\$214,044	100%

3. Strive Lofts - Providence

Strive Lofts is located at 556 Atwells Avenue in the Olneyville neighborhood of Providence and is owned by 556 Atwells LLC, a subsidiary of Churchill & Banks, the developer. The proposal is for the rehabilitation of an existing mill building, which includes 56 residential units and two commercial suites on floors two through four. The first floor will be converted to a parking garage. Construction commenced at the end of 2019 and is projected to be completed at the end of 2021. While not originally anticipated to include restricted workforce units, COVID-related issues and rapidly increasing material costs have resulted in cost overruns, which the developer is proposing to fund utilizing WHIC Program funds. Twenty (20) WHIC units will be rented to tenants between 80% and 100% AMI. The remaining 36 units will be market rate. In addition to office space used to support the property, there will be two commercial office suites of approximately 1,500 square feet each. While the capital stack does not reflect Rebuild RI Tax Credits, the development will receive the credits which will come in over a five-year period after completion and will be used to repay a portion of the owner's equity.

USES	Amount	\$/Unit	% of Total
Acquisition	\$1,200,000	\$20,690	10%
Construction & Contingency	\$8,682,500	\$149,698	75%
Soft Costs	\$435,619	\$7,511	4%
Financing Fees	\$480,000	\$8,276	4%
Reserves & Escrows	\$0	\$0	0%
Developer Fee	\$800,000	\$13,793	7%
Total Development Costs	\$11,598,119	\$199,968	100%

SOURCES	Amount	\$/Unit	% of Total
Senior Loan	\$7,530,000	\$129,828	65%
Workforce Housing Loan	\$1,540,000	\$26,552	13%
Equity	\$1,728,119	\$29,795	15%
Rebuild RI Credits	\$0	\$0	0%
Deferred Fees	\$800,000	\$13,793	7%
Total Sources	\$11,598,119	\$199,968	100%

4. Case Mead - Providence

This proposal contemplates restricting nine existing market rate units as workforce housing in a currently occupied mixed-use building located at 76 Dorrance Street in Providence. The building has ground floor retail and 44 rental units on floors two through five. The building was a mixed-use building with ground floor retail and offices on the upper floors until 2016 when the upper floors were converted to a residential use. The residential units opened for occupancy in March 2018.

The WHIC Program scoring was originally crafted to reward new developments that created residential units at the lowest cost and utilizing the fewest RI Housing resources. Therefore, as an already completed project, Case-Mead is less competitive because it's not eligible for leveraging or cost points. However, the proposed WHIC Program restriction of existing market rate units provides a unique opportunity.

The unit configuration consists of 24 micro-lofts, 14 studios, and six one-bedroom units. Seven (7) studio units and two one-bedroom units will be designated as eligible workforce housing units. The micro-lofts were not considered for WHIC Program funding. Because Case-Mead is a completed building, there is no sources and uses chart. The WHIC award is \$720,000 and will be utilized by the developer to pay down existing debt and/or return equity.

Attachment B

Resolution of the Trustees of the Affordable Housing Trust Fund

- WHEREAS:** the Affordable Housing Trust Fund (the “AHT”) was created by Rhode Island Housing Mortgage Finance Corporation (“RIHousing”) for the sole purpose of making homeownership to low- and moderate-income residents of the State of Rhode Island more affordable; and
- WHEREAS:** one of the purposes of the AHT is to assist in the development of housing for moderate-income households earning up to 120% of annual median income throughout the State of Rhode Island; and
- WHEREAS:** the AHT has increased its investment in new affordable housing programming over the last several years; and
- WHEREAS:** the AHT created the Workforce Housing Innovation Challenge (“WHIC”) Program and has set aside \$8,000,000 to assist in the creation of affordable workforce housing in keeping with its organizational purpose; and
- WHEREAS:** RIHousing has issued a Request for Proposals under a competitive process to seek applicants for WHIC Program funding;
- WHEREAS:** staff reviewed the proposals according to the ranking criteria outlined in the Request for Proposals and have determined that four (4) of the proposed developments best meet the objectives of the WHIC Program.

NOW, THEREFORE, IT IS HEREBY

- RESOLVED:** that the AHT, acting by and through its Trustees, be and is hereby authorized to commit up to \$5,860,000 in WHIC Program funding to the projects listed in the Funding Recommendation at Attachment A, subject to the receipt of commitment of all project financing and compliance with applicable WHIC Program guidelines, including final underwriting and satisfactory staff review of site environmental reports.
- RESOLVED:** that the AHT, acting by and through its Trustees, be and is hereby authorized to transfer such WHIC Program funds to RIHousing for purposes of funding the awards set forth at Attachment A.
- RESOLVED:** that the Executive Director, Deputy Executive Director, and Director of Development of RIHousing, each acting singly, be and hereby are authorized and directed to take any and all actions necessary or desirable to carry out the foregoing resolutions.