

**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 approval of 2 awards under the Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Workforce Housing Innovation Challenge (“WHIC”) Program authorizing the allocation of up to \$3,040,000 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”).

B. Summary of Issues

In 2016, HousingWorksRI conducted a study that put the projected 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 resources are generally reserved for low-income housing units serving families under 60% of AMI, approximately, \$43,260 for a family of 4 in Providence.

Creating more affordable housing options for working Rhode Island families is essential to economic growth and development throughout the state. Almost 1/3 of middle-income households (27.5%) are housing-cost burdened. Even though a growing number of middle-income households are housing cost-burdened, there are no tools available to help create units for middle-income renters.

In response to these conditions, RIHousing created the WHIC Program in September of 2019 and committed \$7,000,000 to the program. The WHIC Program targets the development of housing for households earning up to 120% of AMI. Rents will be no greater than 35% of the selected income restriction level. 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 October of 2019, RIHousing issued a Request for Proposals (“RFP”) for WHIC Program funds. In response to the RFP, RIHousing received 8 proposals requesting \$13,147,588 in WHIC Program funds. The WHIC Program applications were then reviewed in accordance with RIHousing’s threshold criteria for awards:

- Applications must be complete, including all attachments
- The applicant must be an eligible applicant for the funding source being sought
- Properties and activities proposed for consideration must be eligible
- 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
- Applicant must demonstrate site control
- 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 threshold requirements were then reviewed by RIHousing staff and scored based upon the criteria outlined in the WHIC Program guidelines.

RIHousing program staff met with senior staff and reviewed the applications based on thresholds and scoring. As a result of that review, 2 WHIC Program proposals seeking program resources in the amount of \$3,040,000 are being recommended for commitment. The recommended developments will help build 93 units, 38 of which will be workforce-assisted. Both of the projects are located in Providence.

D. RECOMMENDATION

The attached resolution authorizing the allocation of up to \$3,040,000 in WHIC Program funds for 2 developments is recommended for approval contingent upon commitment of all project financing and compliance with WHIC Program guidelines including final underwriting and staff satisfactory review of site environmental reports.

Attachments

- A. Funding Recommendations
- B. Resolution

Attachment A

Funding Recommendation

The attached resolution recommending Workforce Housing Innovation Challenge (“WHIC”) Program funds for approval for new projects in the current funding round totals \$3,040,000.

Leveraging with Recommended Current Round WHIC Program funds:

WHIC Cost	Total Cost	# of WHIC Units	Total # of Units	WHIC Cost per WHIC Unit
\$3,040,000	\$26,571,247	38	93	\$80,000

Preliminary approval recommendation is as follows:

Parcel 6 – Providence

The applicant is proposing a mixed-use and mixed-income development on Parcel 6 of the I-195 land. The housing component will consist of 62 units of which 31 will be workforce units for households with incomes between 80% and 120% of AMI. The balance of the units will be market rate. The applicant is seeking \$2,480,000 in workforce housing funds. The project includes a 13,000 square foot grocery store. Total development cost is \$28,609,569 or \$345,907 per unit.

Sources/Uses Chart

	Total Amount	Commercial Amount	Residential		
			Amount	Per Unit	Per SF
Developer Cash Equity	\$4,854,569	\$1,215,497	\$3,639,072	\$58,695	\$55
RI Housing Pilot WFH Program	\$2,480,000	\$620,947	\$1,859,053	\$29,985	\$28
Rebuild RI Tax Credit- Bridge Loan	\$3,825,000	\$957,711	\$2,867,289	\$46,247	\$43
Senior Debt - Construction Loan	\$17,450,000	\$4,369,166	\$13,080,834	\$210,981	\$196
TOTAL SOURCES	\$28,609,569	\$7,163,322	\$21,446,247	\$345,907	\$321
Land & Related Closing Costs	\$115,000	\$28,794	\$86,206	\$1,390	\$1
Ground Improvement Costs	\$750,000	\$187,787	\$562,213	\$9,068	\$8
Hard Construction Costs	\$22,941,520	\$5,744,144	\$17,197,376	\$277,377	\$258
Contingency	\$917,661	\$229,766	\$687,895	\$11,095	\$10
Soft Costs / Reserves	\$1,859,757	\$465,650	\$1,394,107	\$22,486	\$21
Development Overhead & Management	\$794,068	\$198,820	\$595,248	\$9,601	\$9
Finance & Interest Costs	\$0	\$0	\$0	\$0	\$0
Closing Fees & Transaction Costs	\$92,500	\$23,160	\$69,340	\$1,118	\$1
Interest during Construction	\$708,750	\$177,458	\$531,292	\$8,569	\$8
Interest Reserve on Bridge Loan	\$430,313	\$107,743	\$322,570	\$5,203	\$5
TOTAL USES	\$28,609,569	\$7,163,322	\$21,446,247	\$345,907	\$321

Area Breakdown by Type	Total	Commercial	Residential
Total Area (SF)	89,000	22,284	66,716
Area Percentage	100%	25%	75%
Units	71	9	62

- **West Fountain - Providence**

The applicant is proposing the re-development of a site on West Fountain Street currently used for auto repairs. The re-development will consist of a new four-story building with 31 one-bedroom units of which there will be 7 workforce units @ 100% of AMI and the rest of the units will be market rate. Total development cost is \$5,125,000 or \$165,323 per unit. Applicant is seeking \$560,000 in workforce housing funds.

Sources/Uses Chart:

	Amount	Per Unit	Per NRSF
Permanent Financing	\$4,100,000	\$132,258	\$144
Owner Equity	\$465,000	\$15,000	\$16
Workforce Housing	\$560,000	\$18,065	\$20
TOTAL SOURCES	\$5,125,000	\$165,323	\$180
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Acquisition	\$270,000	\$8,710	\$9
Dev Costs	\$4,752,307	\$153,300	\$167
Contingency	\$102,693	\$3,313	\$4
TOTAL USES	\$5,125,000	\$165,323	\$180

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 through its AHT related activities; and

WHEREAS: the AHT created the Workforce Housing Innovation Challenge (“WHIC”) Program and set aside \$7,000,000 to assist in the creation of affordable workforce housing; and

WHEREAS: the applicants listed in Attachment A have submitted applications that meet the requirements of the WHIC Program; and

WHEREAS: staff has reviewed the submissions and determined that the recommend proposals may qualify for financing under the WHIC Program.

NOW, THEREFORE, IT IS HEREBY

RESOLVED: that the AHT Fund be, and is hereby authorized, to commit up to \$3,040,000 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 WHIC Program guidelines including final underwriting and staff satisfactory review of site environmental reports.

RESOLVED: that the Executive Director, the Deputy Executive Director and the Director of Development, each acting singly, be and hereby is authorized and directed to take any and all actions deem necessary and appropriate to carry out the forgoing resolution.