Homeownership Investment Fund (HIF)

RIHousing

Homeownership Investment Fund ("HIF")

Program Guidelines

In awarding HIF resources, RIHousing has identified the following priorities:

1. Increase the construction of first-time homebuyer opportunities or households at or below 100% of area median income ("AMI");

2. Proposals that achieve these goals at the lowest cost.

To best achieve these goals, RIHousing has established four (4) Threshold Criteria, which are more particularly described in Section A below, that must be met before a proposal will be considered for HIF funding:

1. Construction will commence within four (4) months of approval of funding.

2. Applicant must demonstrate that the development is financially feasible.

3. Applicant must demonstrate the experience and capacity to complete and market for-sale housing.

4. Applicant must demonstrate the need or demand for the project through market analysis, local demographics, submission of homebuyer waiting lists, etc.

Proposals will be reviewed in the order in which they are received by RIHousing. Only proposals that satisfy the Threshold Criteria and include the Application minimum requirements (as set forth in Section C below) will be further considered under the Review Criteria (as set forth in Section B below). Any need for clarification or any deficiencies in the proposal may delay full review and any subsequent recommendation. RIHousing will record a fifteen (15) year restriction on properties assisted under the HIF. RIHousing will have an opportunity to provide the construction financing or match any

terms provided by other lenders.

Within any six-month period, the maximum number of HIF awards to any one developer will be capped at five (5) for-sale homes, however, this can include duplexes.

The Purchase Price of the homes for sale must be calculated based on:

- Income limits posted on the RIHousing Website - https://www.rihousing.com/wp-content/uploads/FY-23-HUD-Income-Limits.pdf
- The application should include disposition analysis demonstrating affordable purchase price (principal, interest, taxes and insurance (PITI) shall not exceed 30% of gross monthly income for buyers between 80% AMI – 100% AMI) and documentation from the Monitoring Agent confirming the projected purchase price. (Include monitoring fee in soft costs.)

When calculating the sales price for a multi-unit property:

- The rental income should be added to the homebuyer's income and discounted based on lender industry standards.
- The applicable bedroom size should be based only on the homebuyer unit.

A. Threshold Criteria

1. Readiness to Proceed: Applicant must demonstrate that construction of affordable homeownership opportunities will commence within four (4) months of funding. To be awarded and maintain a funding reservation, all applicants must demonstrate readiness to proceed throughout the process.
    - Projects with partial planning or zoning approvals are not eligible for HIF awards.
    - Applicant must have site control to apply for HIF.

    An assessment of an applicant's initial readiness to proceed will be made based upon the applicant's ability to provide final plans and/or specifications and ability to secure all funding commitments.

    RIHousing will use its best professional judgment in evaluating an application for readiness to proceed. Staff will consider the applicant's past performance in meeting funding and closing deadlines.

2. Financial Feasibility: The applicant must demonstrate that the proposal is financially feasible. RIHousing reserves the right to deny funding of proposals for which adequate funding commitments have not been secured for all development costs.

3. Development Team Capacity: The developer must have experience in the successful development and sale of affordable homeownership opportunities. The developer will be evaluated on its professional capacity to plan, build, market, and sell the proposed home(s). The developer is expected to demonstrate satisfactory prior experience on projects of similar scale and complexity, and to devote sufficient staffing and resources to complete the proposed project. The applicant will also be evaluated for creditworthiness and financial capacity.

4. Demonstration of Need or Demand: The applicant must demonstrate, to RIHousing's satisfaction, that the need or demand for the project exists. Demonstration of need can be provided through market analysis, local demographics, demand for the project as exhibited by a list of interested and qualified buyers, etc.

RIHousing reserves the right to deny funding to any proposal where (i) any materially participating entity is not in good standing regarding compliance monitoring of other RIHousing funded projects or (ii) any partner, developer or other key development team member has been determined by RIHousing to be not creditworthy. Creditworthiness takes into consideration the financial condition of an organization and management capabilities. RIHousing will review each applicant's most recent audit to ensure financial capacity to develop the project.

If an applicant passes Threshold, they must also meet the following Review Criteria to be considered for HIF funding.

B. Review Criteria

Applications for HIF awards that have passed Threshold will be further reviewed for approval based on the following Review Criteria:

1. At the time of application, the Development must be permitted by applicable regulatory agencies including municipal permitting bodies (local planning and zoning) and state regulatory agencies such as RIDEM or RIDOH (building permits not required at time of application). **Projects with partial planning or zoning approvals are not eligible for HIF awards.**
2. Plans and specifications must be at a sufficient stage, in RIHousing's sole opinion, to meet the Threshold requirement of 4 months to construction commencement.
3. Projects must demonstrate readiness to proceed within 4 months of funding.
4. The total development cost per unit cannot exceed $425,000, however, lower cost projects will be prioritized in the event that multiple projects are submitted and/or reviewed simultaneously.
5. The household income levels for proposed units cannot exceed 100% AMI.
6. The maximum developer fee is 5% of total development costs.
7. The requested HIF financing per unit cannot exceed:
    a. $190,000 for an 80% AMI home
    b. $175,000 for a 100% AMI home

Proposals that pass Threshold and meet the above Review Criteria will be submitted to the Trustees for approval on a first-come, first-served basis until all HIF funding for this round is depleted.

C. Purchase Price and Monitoring Agent

1. RIHousing staff will income qualify the initial homebuyer.
2. The Developer should identify a Monitoring Agent in their application who will be responsible for reviewing and approving future transactions.
3. Developer must provide a letter from their Monitoring Agent with their application confirming the purchase price assumed in the proforma.

I. D. Application Checklist (Minimum Requirements)

II. Application
III. Narrative proposal description
IV. Project Sources and Uses
V. Timeline for closing and commencement of closing
VI. Letters of funding commitments
VII. Letter from Monitoring Agent confirming proposed purchase price
VIII. Resumes of key development team members
IX. Provide proof of organization's creditworthiness
X. Evidence of site control including Property Deed and legal description of the property
XI. Zoning Certificate or Evidence of Zoning showing permitted use
XII. Design Plans and Specifications
XIII. Signed Schedule of Values prepared by qualified professional
XIV. Evidence of demand or need for the project through market analysis or study, local demographics, waiting list, etc.

E. Streamline Homeownership General Information

To help applicants think through project trajectory and the 4-month timeline for closing, below are links to the following due diligence items staff will be collecting and will be required for closing:

- 2022-01 Homeownership Streamline Program for 1-2 Unit Developments (the “Homeownership Program”)
- Exhibit A – Plan and Specification Requirements for Single Family/Duplex Construction
- Exhibit B – RIHousing Class I Survey Standards as of July 1, 2021