

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE  
CORPORATION**

**REGULATIONS GOVERNING  
THE SPECIAL NEEDS RENTAL PRODUCTION PROGRAM**

**Section 1. PROGRAM PURPOSES.**

Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") hereby promulgates rules and regulations (the "Regulations") governing the Special Needs Rental Production Program (the "Program"). The primary purpose of the Program is to provide Eligible Developers with resources to finance Developments for homeless, disabled and/or very low income individuals and households. These Regulations establish procedures and conditions for Rhode Island Housing's approval of this financing. The Program is designed to reduce barriers to the production of rental housing for special needs populations and very low income individuals and households by authorizing Rhode Island Housing to provide financing to Eligible Developers.

Under the Program Rhode Island Housing will provide amortizing and cash flow loans for the financing of a Development by an Eligible Developer. Eligible Developers who submit approved Proposals for the acquisition and development of properties under this Program may apply for financing under any program of Rhode Island Housing. These Regulations set forth criteria established by Rhode Island Housing for the Program.

**Section 2. DEFINITIONS.** Capitalized terms used herein and not otherwise defined herein shall have the following meanings:

- a. "Act" means the Housing and Mortgage Finance Corporation Act set forth in Chapter 55 of Title 42 of the Rhode Island General Laws of 1956, as amended.
- b. "At Risk of Being Homeless" means persons who have received notice of eviction, and/or who are experiencing difficulty due to the inability to pay rent, and is inclusive of persons residing in institutions who have been unsuccessful in locating housing.
- c. "Complete Application" means an application submitted to Rhode Island Housing including all completed application forms and certifications and meeting all eligibility requirements.
- d. "Rhode Island Housing" means the Rhode Island Housing and Mortgage Finance Corporation, a corporation, instrumentality and agency of the State of Rhode Island.

- e. “Development” means a property which will provide apartments for homeless, disabled and/or very low income individuals and households.
- f. “Development Budget” means the sources and uses budget submitted with a Proposal by an Eligible Developer. The Development Budget shall set forth in reasonable detail to the satisfaction of Rhode Island Housing all estimated costs and expenses of the Development and sources to finance the Development through the lease up of the Development.
- g. “Eligible Developer” means: (i) any state, municipal or local public housing authority or redevelopment authority, agency, or corporation lawfully created and located in the State of Rhode Island; (ii) any organization exempt from state and federal income taxation which has as one of its organizational purposes providing housing and related facilities and services to special needs populations and low and very-low income individuals and households; (iii) any partnership or joint venture that includes participation by an entity described in subsection (ii); or (iv) any for-profit entity provided that such entity has entered into an agreement with an entity described in subsection (ii) to provide Social Services.
- h. “Eligible Property” means any (i) undeveloped real estate or vacant lot; (ii) developed lots containing one or more occupied and/or vacant buildings; (iii) developed lots containing one or more occupied but blighted buildings; or any combination of such properties.
- i. “Executive Director” means the Executive Director of Rhode Island Housing or his designee.
- j. “Loan Documents” shall mean collectively, (i) the program agreement, (ii) the mortgage, (iii) the regulatory agreement, (iv) the promissory note, and (v) all other agreements, documents and instruments executed and delivered in connection with the financing of the Development.
- k. “Median family income” means median family income of the area, as determined by the United States Department of Housing and Urban Development (“HUD”) adjusted for family size.
- l. “Operating Budget” means a budget projecting the costs and expenses associated with the physical day-to-day operation of the site(s) and building(s) through the period of the financing. Examples of these costs and expenses include, but are not limited to: utilities; taxes and insurance; maintenance; repairs and capital reserves.
- m. “Proposal” means a proposal submitted to Rhode Island Housing by an Eligible Developer for participation in the Program.

- n. “Service Plan” or “Plan” means a plan submitted by an Eligible Developer for a project which includes an executed agreement between a housing organization and a social service provider or otherwise demonstrates to the satisfaction of Rhode Island Housing that Social Services shall be made available and provided to residents of the project. The Plan shall describe the scope of services to be provided either on-site or off-site, and identification of the service providers if other than the Eligible Developer.
- o. “Social Services” may include, but are not limited to: case management; adult education; employment and training; behavioral health counseling; life skills development and supervision.
- p. “Special Needs Housing” means housing designed for (i) households containing a person with mental illness, physical or cognitive disabilities; or (ii) households containing a person within emerging special needs groups identified by Rhode Island Housing, including but not limited to victims of domestic violence, persons who are homeless or at risk of being homeless, and individuals with AIDS/HIV; or (iii) Very Low Income Households.
- q. “Very Low Income” means a household with annual gross income at or below 40% of area median income.

**Section 3. AVAILABILITY OF FUNDS.** Funds will be available through an open, rolling application process. Applicants are encouraged to contact Rhode Island Housing staff to discuss the application process and required documentation needed to facilitate the financing. Capital funds are available in the form of amortizing and cash flow loans. Operating funds and funds for services are not available through this Program.

**Section 4. APPLICATION PROCESS.**

- a. Threshold Requirements. Applicants must meet the following initial criteria (the “Threshold Requirements”) to be considered eligible for the Program:
  - (i) Applicant must be an Eligible Developer as defined in Section 2(g) of the Regulations.
  - (ii) All properties identified for financing in the Proposal must be Eligible Properties as defined in Section 2(h) of the Regulations.
  - (iii) Applicants must be able to demonstrate to the satisfaction of Rhode Island Housing their ability to proceed with the Development specified in the Proposal and to continue to

maintain and operate the Development for the duration of the financing.

- (iv) Applicants must demonstrate that no other proposed sources of funding are immediately available to develop the site(s) specified in the Proposal.
  - (v) If any sites identified for development in the Proposal are currently occupied, the applicant must provide a relocation plan to address displacement of residents that is satisfactory to Rhode Island Housing.
- b. Submission of Proposals for Funding. Proposals under the Program will be accepted on a continual basis. Proposals may be submitted to Rhode Island Housing during regular business hours. A Proposal shall be deemed received as of the date Rhode Island Housing determines that the Proposal contains all the information required by Section 4 of the Regulations. Proposals shall be reviewed by Rhode Island Housing and considered for financing in the order in which received as long as funds are available.
- c. Review of Applications. Completed Proposals containing all documentation required by Rhode Island Housing shall be reviewed within thirty (30) days of receipt. Proposals shall be reviewed by Rhode Island Housing staff to determine eligibility and conformance with the Threshold Requirements. All Proposals that satisfy Threshold Requirements will be evaluated based on the Program priorities specified in Section 4(d) of the Regulations. Financing under the Program is subject to approval by the Board of Commissioners of Rhode Island Housing.
- d. Program Priorities/Proposal Evaluation Criteria. The Program represents a limited resource with a large mandate. To ensure that resources are expended in the most efficient manner that most positively impacts the intended beneficiaries, Rhode Island Housing has established a list of Program priorities. Developments that do not, in the judgment of Rhode Island Housing, significantly advance these priorities may be denied funding through the Program. The Program priorities are as follows:
- (i) Likelihood that the Eligible Developer will proceed with construction or rehabilitation within six (6) months of the commitment of Program financing.
  - (ii) Eligible Developer's capacity to undertake and complete the project.

- (iii) Financial feasibility of the proposed Development.
- (iv) Extent to which the Proposal is consistent with the State's Consolidated Plan or a community's Affordable Housing Plan.
- (v) Extent to which the Proposal is consistent with planning practices to encourage smart growth.
- (vi) Proposals involving properties that are not currently occupied or do not consist of affordable housing. Developments shall not displace one population with the proposed special needs population effectively causing zero net gain in affordable housing units.
- (vii) Quality of the Service Plan proposed for the residents of the Development. Priority will be given to Proposals that develop partnerships to ensure a comprehensive service team.
- (viii) Proposals that maximize long-term affordability for the residents of the Development. Projects must demonstrate a thirty (30) year minimum commitment to the Program.
- (ix) The extent to which the Proposal leverages capital and operating financing. Priority will be given to proposals that require financing through the Program at less than 30% of the total development cost.
- (x) Proposals that demonstrate sound project location, siting and design. Projects must demonstrate efficient operating and maintenance costs and a healthy living environment for residents. To the extent feasible, Eligible Developers should incorporate so-called "Healthy Housing", "Green Building" and "Energy Star" technologies into the Development. Access to public transportation and services should be considered in the siting of a Development.

**Section 5. CONTENTS OF THE PROPOSAL.** Eligible Developers applying to the Program shall submit to Rhode Island Housing one (1) original and one (1) copy of the Proposal. Each Proposal shall contain the following information together with such other information as Rhode Island Housing may request:

- a. The name, address, telephone number, fax number, email address and taxpayer identification number of the applicant.
- b. A resolution of the Board of Directors or other governing body of the applicant authorizing submission of the Proposal.

- c. A description of the proposed Development, including address of the site, location map, number and type of buildings currently on the property where applicable.
- d. If the property is occupied, a plan for relocation of displaced individuals and evidence of compliance with Section 4(d)(vi).
- e. Identification and evidence of other financing commitments for the Development.
- f. Evidence of compliance with local zoning and environmental regulations where applicable.
- g. Service Plan for residents of the Development. Include proposed budget with sources for service funding. If the agency will be partnering with a services provider attach a memorandum of understanding (“MOU”) or service agreement.
- h. Projected date for commencement of rehabilitation or construction activities and a timetable for completion of the Development.
- i. A description of the experience of the Eligible Developer including identification of key staff, their qualifications and experience, past projects undertaken and current housing projects underway.
- j. Identification of partners in the Development. A description of the experience of Service Plan providers and property management company.
- k. A construction budget supported by a summary trade payment breakdown signed by the contractor.
- l. Development Budget and Operating Budget for the project.

**Section 6. PROGRAM ADMINISTRATION.**

- a. The Loan Documents. If the Proposal is approved, the Eligible Developer will execute the Loan Documents which shall set forth, among other things, certain terms and conditions of participation in the Program.
- b. Financing Policy. Special Needs Housing projects are unique. Each project submitted under the Program will be reviewed independently and with flexibility. With this approach in mind, Rhode Island Housing staff will work with the Eligible Developer to determine the amount of financing appropriate through the Program and other financing sources available to the Eligible Developer for the project.

Loans, if approved, shall be in the form of amortizing and/or cash flow loans as determined by Rhode Island Housing. Rhode Island Housing shall base its determination of the financial feasibility of the proposed Development on whether the rental housing will have cash flow to support an amortizing loan. Eligible Developers should review the Program term sheet for information on amortizing and cash flow loans.

- c. Underwriting Analysis. Rhode Island Housing shall use the following criteria as part of its underwriting analysis of a Proposal:
- (i) Rhode Island Housing shall visit the site(s) to determine suitability for the Program.
  - (ii) Rhode Island Housing shall require and commission an independent appraisal that conforms to the Uniform Standards of Professional Appraisal Practice (“USPAP”) and in accordance with Rhode Island Housing standards to determine project valuation for land and buildings.
  - (iii) The external and internal design of the building must be approved by Rhode Island Housing. The Eligible Developer is encouraged to review the design standards of Rhode Island Housing.
  - (iv) The extent to which the construction budget will be sufficient to support the proposed work on the building.
  - (v) The Eligible Developer is required to pursue a municipal resolution granting real estate tax treatment in accordance with RI General Laws 44-5-13.11, Qualifying low-income housing – Assessment and taxation. In general, Rhode Island Housing believes that a Development lacking this tax treatment may have difficulty in demonstrating financial feasibility.
  - (vi) Professional liability insurance is required for the contractor, architect and any other professional(s) for any project which has construction costs in excess of \$100,000. Architects must have “errors and omissions” insurance.
  - (vii) All Developments must have insurance policies providing property, crime, liability and equipment coverage approved by Rhode Island Housing.
  - (viii) For those Developments that require moderate rehabilitation as approved by Rhode Island Housing, Rhode Island Housing may consider a general contractor’s services instead of engaging an

architect, so long as all federal, state, and local requirements such as permits will be obtained by the general contractor.

**Section 7. MISCELLANEOUS.**

- a. Service Plan. Eligible Developers are required to provide a Service Plan that addresses the needs of the residents of the Development. Service Plans are subject to Rhode Island Housing's approval. Eligible Developers should familiarize themselves with Rhode Island Housing's program bulletin on the components of a Service Plan.
  
- b. Right to Waive Regulations. Upon a determination and finding of "Good Cause", Rhode Island Housing may waive any provision of these Regulations. Good Cause includes facts or circumstances where the granting of a waiver (i) is necessary to permit the Development to proceed, (ii) would not pose an undue financial risk to Rhode Island Housing, (iii) is necessary to carry out the purposes of the Program, and (iv) is consistent with the mission of Rhode Island Housing. Each waiver must be in writing and must be supported by documentation of the pertinent facts and circumstances.