

## Turnkey Affordable Homeownership Program Summary

### Introduction

Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) announces the Turnkey Affordable Homeownership Program (the “Turnkey Program”). The program was created to (i) help address the need for low to moderate income homeownership opportunities in the State of Rhode Island, and (ii) streamline the process for the development of low to moderate income homes that will be deed-restricted by RIHousing.

- The Turnkey Program will provide financing to developers of for-sale units to homebuyers upon project completion.
- The developer will be responsible for funding the acquisition, construction and/or rehabilitation of the home(s) without the benefit of RIHousing financing prior to completion. This will minimize RIHousing’s involvement prior to and during construction.
- RIHousing intends to disburse the Turnkey financing once (i) a Certificate of Occupancy is issued by the municipality in which the home is built and (ii) a deed restriction restricting the household income of the initial and subsequent homeowners is recorded. The deed restriction should be recorded upon the sale of the home to the initial homebuyer; however, recording a deed restriction prior to such sale may be allowed, in RIHousing’s sole discretion, in certain circumstances.

RIHousing will inspect at completion.

All work shall comply with all applicable federal, state, and local codes, ordinances, and zoning requirements. Rhode Island State Building and Fire Code Regulations can be found at:

[Welcome to the Rhode Island Code of Regulations - Rhode Island Department of State \(ri.gov\)](http://www.ri.gov)

The Turnkey Program is not available for developers who utilize RIHousing as their construction lender or utilize any other RIHousing funding for the applicable project.

### Eligibility

New construction, adaptive reuse, or rehabilitation of existing homes are eligible for one to two-family homes. Condominiums are allowed. Homes must be owner-occupied primary residences when purchased. Eligible applicants include non-profit or for-profit builders and/or developers. Applicant must demonstrate capacity and previous experience overseeing the construction of housing of similar scope and complexity.

## **Developer Fee**

Developer Fee will be restricted to a maximum of 10% of total development costs.

## **Timing**

Applications will be accepted on a rolling basis. The submittal of an application does not guarantee an award.

## **Subsidy Amounts**

The requested Turnkey financing per unit cannot exceed the difference between total development cost and a sale price affordable to a family earning 80% or 100% of AMI plus a Developer Fee, up to a maximum of:

- a. \$190,000 for a 80% AMI home
- b. \$150,000 for a 100% AMI home

If developer received a density bonus through the comprehensive permit process, the requested Turnkey financing cannot exceed \$50,000/unit (unless the project is 100% affordable and includes no market units).

These are maximum amounts. Developers are always encouraged to request the minimum amount necessary to complete their proposal. RIHousing recognizes that costs may be higher in certain areas of the state.

## **The Purchase Price of the completed homes must be calculated based on:**

- Income limits posted on the RIHousing Website – <https://www.rihousing.com/wp-content/uploads/FY-24-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. The developer must include the 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.

## **Turnkey Program - Document Requirements**

### **A. Required for Application Submission:**

1. Application
2. Narrative proposal description

3. Project Proforma with Sources and Uses
4. Timeline for commencement of construction (within 4 months) and closing (within 12 months).
5. Full capital stack including evidence of developer equity or construction financing from a commercial lender.
6. Letter from Monitoring Agent confirming proposed purchase price.
7. Permitted Plans and Specifications (Suggested minimum sizes: 2 Bedroom 900 SF, 3 Bedroom 1200 SF).
8. Structural review required for rehabilitation projects.
9. Renovation projects must encapsulate and/or abate Asbestos, Radon, Mold and PCBs in accordance with all federal, state and local environmental laws and regulations.

**B. Required for Disbursement at Project Completion:**

1. Certificate of Occupancy
2. If applicable, RAWP Closure Report, Recorded ELUR & SMP
3. If applicable, Evidence of RI Energy RNC Building Incentives and Rebates
4. Evidence of Minimum 15 Year Recorded Deed Restriction (or a ground lease ensuring >15 years long term affordability)
5. Final Lien Waiver from Contractor
6. RIHousing Inspection at Construction Completion

**C. Post Closing Deliverables**

1. Contractor's 1 Year Guaranty for Labor and Materials
2. Contractor's transmittal of O&M and Start up submitted to homeowner

**Review Process:**

**A. Threshold Criteria**

1. Readiness to Proceed: Applicant must demonstrate that construction of affordable homeownership opportunities will commence within four (4) months of Turnkey funding commitment and each unit will close with an income qualified buyer within twelve (12) months of such commitment. To be awarded and maintain a funding reservation, all applicants must demonstrate readiness to proceed throughout the process.

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 or similar experience with development of starter homes. The developer will be evaluated based 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 Turnkey Program funding.**

## **B. Review Criteria**

Applications for Turnkey Program 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; provided, however, that building permits are not required at time of application. Projects with partial planning or zoning approvals are not eligible for the Turnkey Program.
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 commitment.
4. The household income levels for proposed units cannot exceed 100% AMI.
5. The maximum developer fee is 10% of total development costs.

Complete proposals that pass Threshold and meet the above Review Criteria will be submitted for approval on a first-come, first-served basis until all Turnkey Program funding for each funding cycle is depleted.

### **C. Purchase Price and Monitoring Agent**

1. The developer must identify a Monitoring Agent in their application who will income qualify the initial homebuyer (and renters' income, if applicable) and be responsible for reviewing and approving future transactions.
2. The developer must provide a letter from their Monitoring Agent with their application confirming the purchase price assumed in the proforma.
3. Developers are encouraged to market to first time homebuyers.
4. RIHousing may provide end loans to qualified homebuyers.