

**MINUTES OF MEETING  
OF THE  
BOARD OF COMMISSIONERS**

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, March 16, 2006 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Anthony Marouchoc; Vice Chairwoman Denise Barge; A. Michael Marques, Director of Department of Business Regulation; Kevin Flynn, designee for Beverly E. Najarian, Director of Department of Administration; and Christine Curley. George Carvalho, designee for General Treasurer Paul J. Tavares and Jose Monteiro was absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Thomas F. Hogg, Chief Financial Officer; John Gordon, Director of Asset Management; Carol Ventura, Director of Development; Cathleen Paniccia, Director of Homeownership and Administration; Leslie McKnight, Director of Servicing; Michael V. Milito, Corporation Counsel and Chris Barnett, Public Information Officer.

Jayne M. Donegan, Counsel to the Corporation was also present, as were members of the public.

Pursuant to Chapter 46 of Title 42 of the General Laws of Rhode Island, notice of the meeting of the Board of Commissioners was posted in the Offices of the Corporation and at the second floor bulletin board in the State House.

Chairman Marouchoc called the meeting to order at approximately 8:36 a.m.

**Approval of Minutes of Board Meeting Held February 23, 2006**

Upon a motion made by Commissioner Curley and seconded by Commissioner Barge, the following was unanimously adopted:

VOTED:           That the Minutes of the Board Meeting held February 23, 2006 hereby are approved.

**Chairman's Report**

Chairman Marouchoc did not have anything to report.

**Committee Reports**

There were no committee meetings held during February.

**Executive Director's Report**

Mr. Godfrey announced that the April board meeting has been rescheduled to April 27, 2006 and deferred his report until the end of the action items.

**Preliminary Approval of Financing for Pocasset Manor**

Mr. Godfrey made this presentation.

This Request for Action (RFA) is for preliminary approval of financing for Pocasset Manor, an existing elderly development originally financed by Rhode Island Housing. The new owner has requested financing through Rhode Island’s Preservation Program to preserve the property’s long-term affordability.

Representatives from POAH were present to answer questions from the Board.

Upon a motion made by Commissioner Flynn and seconded by Commissioner Curley the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (the “Corporation”) is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of the Corporation have promise of supplying well-planned, well-designed apartment units which will provide housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

**Whereas,** the Corporation intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** said bonds shall have a term not to exceed forty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

**Whereas,** the applicant (“Applicant”) listed below has presented an application to the Corporation requesting tax-exempt financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Financing</u>
<b>Pocasset Manor</b>	<b>POAH</b>	<b>\$6,500,000</b>

**Whereas,** Corporation staff has reviewed the submission and determined that this development may qualify for non-recourse financing under the Corporation’s enabling legislation, regulations, guidelines and policies.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** That, subject to the special conditions listed below, the Corporation hereby approves tax exempt mortgage financing to POAH and its to be formed limited partnership in an amount not to exceed \$6,500,000 for rental housing located in Providence, Rhode Island to be financed by tax-exempt bonds;

**Resolved,** That the Corporation hereby declares that the firm approval of financing for the Borrower constitutes the affirmative official act of the Corporation of its intention to issue bonds to finance up to a \$6,500,000 first mortgage, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

**Resolved,** That the foregoing resolutions are subject to the following conditions:

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the as-stabilized value of the property.
- An acceptable commitment letter from the equity provider for the transaction demonstrating syndication proceeds from 4% Low Income Housing Tax Credits in an amount sufficient to assure development feasibility. Syndicator must agree not to sell the tax credits to Fannie Mae or Freddie Mac.
- Approval by Rhode Island Housing of all members of the development team, including contractor, architect and management agent.
- Approval of a new operating budget.
- Approval by Rhode Island Housing of construction plans and specifications, and construction documentation.
- FHA Risk-Sharing approval for 50% of the first mortgage.
- Approval by bond underwriter and bond counsel that the loan will satisfy all required bond provisions for the bond issue.
- HUD approval that Residual Receipts may be used for rehabilitation of the property.

**Preliminary Approval of Financing for Hillside Village**

Mr. Godfrey gave this presentation.

This Request for Action (RFA) is for preliminary approval of financing for Hillside Village, an existing family development originally financed by Rhode Island Housing. The new owner has requested financing through Rhode Island's Preservation Program to preserve the property's long-term affordability.

Representatives from POAH were present to answer questions from the Board.

Upon a motion made by Commissioner Curley and seconded by Commissioner Barge the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of the Corporation have promise of supplying well-planned, well-designed apartment units which will provide housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

**Whereas,** the Corporation intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** said bonds shall have a term not to exceed forty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

**Whereas,** the applicant (“Applicant”) listed below has presented an application to the Corporation requesting tax-exempt financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Financing</u>
Hillside Village	POAH, Inc.	\$3,700,000

**Whereas,** Corporation staff has reviewed the submission and determined that this development may qualify for non-recourse financing under the Corporation’s enabling legislation, regulations, guidelines and policies.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** That, subject to the special conditions listed below, the Corporation hereby preliminarily approves tax exempt mortgage financing to POAH and its to be formed limited partnership in an amount not to exceed \$3,700,000 for rental housing located in Providence, Rhode Island to be financed by tax-exempt bonds;

**Resolved,** That the Corporation hereby declares that the preliminary approval of financing for the Borrower constitutes the affirmative official act of the Corporation of its intention to issue bonds to finance up to a \$3,700,000 first mortgage, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

**Resolved,** That the foregoing resolutions are subject to the following conditions:

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the as-stabilized value of the property.
- An acceptable commitment letter from the equity provider for the transaction demonstrating syndication proceeds from 4% Low Income Housing Tax Credits in an amount sufficient to assure development feasibility. Syndicator must agree not to sell the tax credits to Fannie Mae or Freddie Mac.
- Approval by Rhode Island Housing of all members of the development team, including contractor, architect and management agent.
- Approval by Rhode Island Housing of buyer’s proposed operating budget and reserve escrows.
- Approval by Rhode Island Housing of construction plans and specifications, and construction documentation.
- FHA Risk-Sharing approval for 50% of the first mortgage.
- Approval by bond underwriter and bond counsel that the loan will satisfy all required bond provisions for the bond issue.

- Approval of transaction by the RI Equity Pool I.
- Resolution of resident concerns about the condition of the property and security.

**Preliminary Approval of Financing for Eagle Terrace**

This Request for Action was tabled.

**Preliminary Approval of Preservation Financing for Fox Point Manor**

Mr. Godfrey made this presentation.

This Request For Action (RFA) is for Preliminary Approval of financing for Fox Point Manor, an existing elderly housing development originally financed by Rhode Island Housing. The owners have requested new financing through the Preservation Program to preserve the property’s long term affordability.

Upon a motion made by Commissioner Marques and seconded by Commissioner Curley the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (the “Corporation”) is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of the Corporation have promise supplying well-planned, well-designed apartment units which will provide housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

**Whereas,** The Corporation intends to issue taxable bonds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** Said bonds shall have a term not to exceed thirty-five (35) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

**Whereas,** The applicant (“Applicant”) listed below has presented an application to the Corporation requesting mortgage financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Amount</u>
<b>Fox Point Manor</b>	<b>Fox Point Investment Company, LLC</b>	<b>\$6,231,870</b>

**Whereas,** Corporation staff has reviewed the submission and determined that this development may qualify for financing under the Corporation’s enabling legislation, regulations, guidelines and policies; and

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** That, subject to the special conditions listed below, the Corporation hereby declares preliminary approval for taxable mortgage financing in an amount not to exceed \$6,231,870 for rental housing known as Fox Point Manor located at Wickenden and Ives Streets in Providence, Rhode Island.

**Resolved,** That the foregoing resolutions are subject to the following conditions:

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Acceptable appraisal by an independent appraiser demonstrating that the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Completion of a Capital Needs Assessment and approval by Rhode Island Housing of the scope of the rehabilitation work.
- Approval by Rhode Island Housing of Development Team members.
- Final approval of the new operating budget.
- Approval by Rhode Island Housing of construction plans, specifications, and supporting construction documentation.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue.
- Evidence satisfactory to Rhode Island Housing that the development is eligible for the proposed HAP/Section 8 rents. Evidence satisfactory to Rhode Island Housing that the projected income from roof rental charges relating to a cell tower on the building will be sustainable.
- Evidence satisfactory to Rhode Island Housing regarding the scope of any required life safety system upgrades.
- Evidence satisfactory to Rhode Island Housing regarding Borrower's authority to use Residual Receipts and surplus cash as proposed in this transaction.

**Resolved,** That the Executive Director, either Deputy Director, and the Director of Development, each acting singly, shall take any and all actions they deem necessary to carry out the foregoing Resolutions.

#### **Approval of Line of Credit from Bank of America**

Mr. Godfrey, along with Tom Hogg, made this presentation.

Rhode Island Housing funds its mortgage lending activity primarily through the issuance of bonds. The timing and sizing of each bond issue is planned in such a way to make the most efficient use of the fixed costs associated with selling those bonds, and to minimize the interest expense attendant to the bonds while loans are being assembled. Rhode Island Housing often uses its own funds in these efforts. A line of credit from a bank would assist in this process by allowing a larger loan warehouse position, especially during times of active loan origination or tight bond markets. Such an arrangement is common in the mortgage banking industry.

Rhode Island Housing utilizes several methods to manage bond related expenses. Larger bond issues are desirable because they increase the cost efficiency associated with the fixed costs of these transactions, but an offset is the fact that interest expense payable on the bonds is usually much higher than the investment rate that can be earned on the bond proceeds pending their actually being employed to fund loans. As an additional consideration, multifamily loan transactions, because of their complexity, often take longer to close than expected, and therefore anticipating the timing of the issuance of these bonds is

difficult. Finally, since these loans are sometimes quite large, corporate investments may have to be reallocated to accommodate a bigger warehouse position. Growth in the single family portfolio adds to this scale effect.

A short term line of credit from a bank would assist us in managing bond issue sizing and timing. To maximize its usefulness, the line needs to be priced close to the yield on the Corporation's liquid securities (which would be used as the alternative funding device) and not carry any fees for non-use.

Bank of America's government sector division has offered us this kind of line of credit in an amount of \$50 million.

Staff recommends the approval of a line of credit from Bank of America as an additional tool to be used in its asset / liability management activities.

Upon a motion made by Commissioner Flynn and seconded by Commissioner Curley the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

Resolved: That the Corporation is authorized to enter into a line of credit facility with Bank of America, and further,

Resolved: That the Executive Director or the Deputy Director of Finance be and hereby are authorized to negotiate terms and conditions of the line of credit as they deem appropriate and to execute loan related documents on behalf of the Corporation.

**Approval to Purchase Loan Origination Software and Engage Loan Servicing Provider**

Mr. Godfrey presented this proposal. Mr. Hogg introduced the IT director, Susan Smith and Cathy Matarese who have been instrumental in researching the software and provider.

Rhode Island Housing presently uses two primary software applications to originate and service its single family loans and a third system to service the multi-family portfolio. All three of these systems have been in place for approximately ten years. Over the last three years, several factors have suggested a complete review of these applications and the work processes around them. A multi-divisional review team was established to assess both current and future origination and servicing needs. Rhode Island Housing issued a Request for Proposals ("RFP") seeking proposals from outside vendors to address its loan origination and servicing requirements. Eight firms responded to the RFP. Following a comprehensive analysis of each of the submittals, staff recommends that Rhode Island Housing acquire a new origination system and lease a new servicing system.

Based on the comprehensive review of each of the proposals, staff recommends Rhode Island Housing purchase the loan origination software package proposed by Integra Software Systems and the loan servicing system proposed by Fidelity Financial, Inc.

From a budgetary perspective, the new origination system will represent a one-time expenditure of approximately \$600,000. This includes a substantial amount of installation support and training. The annual lease expense for the new servicing system will be approximately \$250,000 per year. Rhode Island Housing's capital and operating budgets for this fiscal year anticipated these approximate expenditures.

Upon a motion made by Commissioner Curley and seconded by Commissioner Barge the following resolution was unanimously adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

- Resolved:** That Rhode Island Housing is authorized to enter into an agreement with Integra Software Systems to acquire a new mortgage loan origination software package.
- Resolved:** That Rhode Island Housing is authorized to enter into an agreement with Fidelity Financial, Inc. for the lease of a new mortgage loan servicing system.
- Resolved:** That the Executive Director and the Deputy Director – Finance, each acting singly, be and are hereby authorized to take any and all actions, including specifically the authority to negotiate terms, fees and specifications of these systems with the respective vendors as they may determine are in the best interests of the Corporation, and to execute any and all agreements and to take such further actions as they deem necessary to carry out the above resolutions.

**Authorization to Accept Deed in Lieu of Foreclosure for Arbor Glen and to Transfer Property to Fairfield Residential LLC or an Affiliated Entity**

Mr. Godfrey and Mr. Milito made this presentation.

Phebe Street Associates, L.P. (“Phebe Street”) is the owner of the housing development located in Providence and known as Arbor Glen Apartments (“Arbor Glen”). Rhode Island Housing is the holder of a mortgage loan on Arbor Glen with an outstanding balance of approximately \$3.9 million. Phebe Street is currently in default under the mortgage loan.

In 2005, Phebe Street entered into a Purchase and Sale Agreement (“P & S”) with FF Realty LLC (“Fairfield”) to sell the property. Arbor Glen was originally financed with low income housing tax credits 13 year ago and is presently encumbered with existing debt and restrictive covenants.

In light of its default under the mortgage loan and to facilitate the transfer of Arbor Glen to Fairfield, Phebe Street has agreed to enter into a Deed in Lieu of Foreclosure Agreement with Rhode Island Housing, which will then assume Phebe Street’s obligations under the P & S. As part of that transaction and new financing, Fairfield will execute a new 40 year Regulatory Agreement at closing to ensure the long term affordability of all 144 units.

This Request for Action is for authority to (i) accept a deed in lieu of foreclosure from Phebe Street and (ii) assume certain obligations under the P & S between Phebe Street and Fairfield. Rhode Island Housing has previously approved certain financing to Fairfield to fund this transaction.

Upon a motion made by Commissioner Curley and seconded by Commissioner Barge the following resolution was adopted:

**Resolution of the Board of Commissioners  
of Rhode Island Housing and Mortgage Finance Corporation**

- WHEREAS,** Phebe Street Associates L.P., (“Phebe Street”) is the record owner of Arbor Glen Apartments, located at 12 South Lane, Providence, Rhode Island (“Arbor Glen”); and
- WHEREAS,** Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) is the holder of a mortgage loan on Arbor Glen; and
- WHEREAS,** Rhode Island Housing Development Corporation, a statutory subsidiary of Rhode Island Housing, is the general partner of Phebe Street ; and
- WHEREAS,** Phebe Street offered Arbor Glen up for sale through CB Richard Ellis, a real estate broker; and
- WHEREAS,** Phebe Street received several offers to purchase Arbor Glen; and
- WHEREAS,** Staff, with the assistance of CB Richard Ellis, has completed a thorough evaluation of all offers received to purchase the property; and
- WHEREAS,** Staff, in deliberation with CB Richard Ellis has determined that Fairfield Residential LLC presented the highest quantitative proposal for Arbor Glen and is the highest ranking proposal for Arbor Glen after considering all of the selection factors specified in the Request for Proposals; and
- WHEREAS,** Phebe Street is in material default of its mortgage loan obligations to Rhode Island Housing.

**NOW, THEREFORE, IT IS HEREBY:**

- Resolved,** That Rhode Island Housing be authorized to accept a deed in lieu of foreclosure of Arbor Glen from Phebe Street Associates, L.P., in accordance with the terms and conditions of an Agreement for Deed In Lieu of Foreclosure substantially in the form attached hereto as Exhibit A; and
- Resolved,** That Rhode Island Housing be authorized to assume the Phebe Street Associates L.P.’s rights and obligations as seller under the Purchase and Sale Agreement, which includes a purchase price of \$2.5 million, financing with Rhode Island Housing through a loan guaranteed by Fannie Mae or Freddie Mac, improvements to the property, and a long-term commitment to maintaining a low and moderate income community within the property, with Fairfield Residential LLC, or its related assignee, for the purchase and sale of Arbor Glen; and
- Resolved,** That the Executive Director or each Deputy Director be, and each hereby is, authorized to take any and all actions, including specifically the authority to execute any and all documents, instruments and agreements and to take such further actions as he or she deems necessary to carry out the above resolutions; and

**Resolved,** That all acts and deeds heretofore done by the Executive Director or each Deputy Director on behalf of Rhode Island Housing in carrying out the terms and intentions of these resolutions, are hereby ratified, approved and confirmed in all respects.

**Convening of the University Heights Development Corporation**

Chairman Marouchoc recessed the open meeting at 9:00 a.m.

At approximately 9:05 a.m. the University Heights Development Corporation adjourned and at this time Chairman Marouchoc resumed the Rhode Island Housing regular Board meeting.

**Executive Director's Report**

Mr. Godfrey referred the Commissioners to the Executive Director's Report, which had been previously distributed and briefly commented on a few of the items.

Mr. Godfrey distributed an outline of the most pressing legislative bills and gave a brief overview of the legislative process.

Mr. Godfrey also gave a PowerPoint presentation on Rhode Island Housing's 2005 Strategic Plan. Staff has been actively working on implementing the business plans of the first six initiatives.

A brief discussion followed the presentation.

There being no further business to discuss, a motion was duly made by Commissioner Curley and seconded by Commissioner Barge to adjourn the open meeting at approximately at 10:08 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.  
Secretary and Executive Director