

**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, December 1, 2006, at 11:00 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Anthony Marouchoc; Vice Chairwoman Denise Barge; 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 and were absent.

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

Jayne M. Donegan, Counsel to the Corporation was also present.

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 first floor bulletin board in the State House.

Chairman Marouchoc called the meeting to order at approximately 11:00 a.m.

Firm Approval of Preservation Financing for Hillcrest Village

Mr. Godfrey made this presentation.

This Request for Action (RFA) is for firm approval of financing for Hillcrest Village, 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.

In the proposed transaction, POAH, a non-profit, will acquire the property from the existing owner. POAH will request (i) a Mark-up-to-Market rent increase under HUD's non-profit transfer program, and (ii) a twenty-year HAP Contract subject to federal appropriations.

Although Hillcrest Village meets the basic needs of its target population for accessible and convenient housing, the property is suffering from a substantial amount of deferred maintenance as well as deferred and inactive management. The transaction proposed would enable POAH to implement significant capital improvements to the building and to bring in a strong management team to turn around the daily operations at the building.

Following the presentation, Mr. Godfrey and staff responded to various questions of the Commissioners. Commissioner Curley requested that the proposed resolution be amended to provide that provision of resident services at the development be made an explicit condition of the financing.

Upon a motion made by Commissioner Curley and seconded by Commissioner Barge, the following amended 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 “Rhode Island Housing”) is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of Rhode Island Housing 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, Rhode Island Housing 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 Rhode Island Housing 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>
Hillcrest Village	POAH, Inc.	\$11,395,000

Whereas, the current owner of the Development has not maintained the physical condition of the property at a level that is consistent with its obligation to provide decent, safe and sanitary housing;

Whereas, an affiliate of the current owner of the Development has entered a plea of no contest to federal criminal proceedings involving misuse of HUD financing and has been sentenced to a thirty month prison term;

Whereas, an affiliate of the current owner is the subject of pending State criminal proceedings involving alleged Medicaid fraud in the operation of nursing homes in Rhode Island;

- Whereas,** Rhode Island Housing 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;
- Whereas,** staff of Rhode Island Housing have made inquiry of various state and federal agencies to determine if there are objections to the transactions and have heard none;
- Whereas,** Rhode Island Housing has received an appraisal from an independent appraiser selected by staff which demonstrates an “as-is” value in excess of the acquisition price which reflects the affordability restrictions and subsidy contract as well as the physical condition of the property;
- Whereas,** the Applicant is a national nonprofit corporation whose mission is to preserve the affordability of HUD-assisted housing for the long-term;
- Whereas,** the Applicant is proposing approximately \$4.0 million in capital improvements to the Development to address deferred maintenance needs;
- Whereas,** the Applicant successfully owns and operates several assisted multi-family developments financed and assisted by Rhode Island Housing;
- Whereas,** Rhode Island Housing staff has determined that current and future low -and moderate-income residents of the Development will be best served by the transfer of the development to a non-profit owner committed to the long-term preservation of the Development as affordable housing and with a reputation for sound asset management that will invest substantial funds to complete needed capital improvements under the supervision of Rhode Island Housing.

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** Rhode Island Housing finds that it is in the best interests of the Development, its residents and Rhode Island Housing that the Development be transferred from the current owner to the Applicant;
- Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby approves tax exempt mortgage financing to POAH, Inc. and its to be formed limited partnership in an amount not to exceed \$11,395,000 for rental housing located in Providence, Rhode Island to be financed by tax-exempt bonds;
- Resolved,** That Rhode Island Housing hereby declares that the firm approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue bonds to finance up to a \$11,395,000 in first and second mortgages 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.
- Final approval of a new operating budget which includes funding for at least 24 hours per week staffing of a resident services coordinator, or such other staffing pattern as is acceptable to Rhode Island Housing.
- Final approval by Rhode Island Housing of construction plans, 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.

Resolved, That the Executive Director, any 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.

Development Division Presentation

Carol Ventura, Director of Development, made a presentation outlining the various activities undertaken by the Division.

There being no further business to discuss, a motion was duly made by Commissioner Carvalho and seconded by Commissioner Flynn to adjourn the open meeting at approximately at 9:18 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director