

**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 20, 2007, at 8:35 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Anthony Marouchoc; Vice Chairwoman Denise Barge (arrived at 8:40 AM); General Treasurer Frank T. Caprio; Michael Marques, Director of Department of Business Regulation; Noreen Shawcross, designee for Beverly E. Najarian, Director of Department of Administration; and Perry Clough. Jose Monteiro was 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; Amy Rainone, Director of Policy; Carol Ventura, Director of Development; Cathleen Paniccia, Director of Homeownership and Administration; Leslie McKnight, Director of Servicing; Michael V. Milito, Corporation Counsel and Jo-Ann Ryan Communications Director.

Brian P. Gallogly, 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 first floor bulletin board in the State House.

Chairman Marouchoc called the meeting to order at approximately 8:30 a.m.

**Approval of Minutes of Board Meeting Held on November 15, 2007**

Upon a motion made by Commissioner Caprio and seconded by Commissioner Marques, the following was unanimously adopted:

VOTED: That the Minutes of the Board Meeting held on November 15, 2007 hereby are approved.

**Chairman's Report**

Chairman Marouchoc welcomed Noreen Shawcross, designee for Kevin Flynn of Department of Administration to the board meeting.

**Committee Reports**

Chairman Marouchoc announced that the Audit Subcommittee met on November 19, 2007 and November 20, 2007 to interview firms for Investment Banker Services. The recommendations of the Audit Subcommittees will be presented during action item number 6 of the agenda. Copies of the minutes of the Audit Committees were provided in the board package.

**Executive Director’s Report**

Mr. Godfrey deferred his report until the end of the action items.

Vice Chairwoman Barge arrived at this point; at approximately 8:40 AM.

**Firm Approval of Refinancing for Carleton Court/Westside Apartments**

Mr. Godfrey presented this proposal.

This Request for Action is for firm approval of financing for Carleton Court (“Carleton”) and Westside Apartments (“Westside”), two existing developments in Providence, Rhode Island. Arch Street Development LLC (“Arch Street”), a for-profit housing real estate developer from Needham, MA, proposes the acquisition and rehabilitation of Carleton and Westside. This financing will preserve 86 units of affordable housing, which currently serve elderly and disabled tenants as well as families.

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

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

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (“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, to pay the costs of issuance, to fund a Capital Reserve Fund, and to provide the capitalized interest if determined to be necessary;

**Whereas,** the Applicant listed below has presented an application to Rhode Island Housing requesting mortgage(s) consisting of tax-exempt financing to acquire and rehabilitate a residential housing development as follows:

<b>Development</b>	<b>Borrower</b>	<b>Tax Exempt Loan</b>	<b>Targeted Loan</b>
Carleton Court/ Westside Apartments	Carleton Westside Apartments, L.P.	\$4,800,000.00	\$3,940,000.00

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

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

**Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby approves a loan to be financed by tax-exempt bonds, to Carleton Westside Apartments, L.P. (the “Borrower”) in an amount not to exceed \$4,800,000.00 for rental housing located at in Providence, Rhode Island.

**Resolved,** Rhode Island Housing hereby declares that the firm approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing towards the issuance of bonds to finance up to a \$4,800,000.00 mortgage, the required reserve funds, the related costs of issuance for the Bond issue for the above- named development 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, subject to the special conditions listed below, Rhode Island Housing hereby approves a Targeted Loan to Carleton Westside Apartments, L.P. (the “Borrower”) in an amount not to exceed \$3,940,000 for rental housing located at in Providence, Rhode Island.

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

- Acceptable final appraisal by an independent appraiser that demonstrates that the permanent loan does not exceed 90% of the as-stabilized value of the property.
- Approval by Rhode Island Housing of final construction plans and specifications, and construction documentation.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue.
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.
- Evidence that neither Fannie Mae nor Freddie Mac will be purchasing the LIHTCs as Fannie Mae and Freddie Mac are key buyers of Rhode Island Housing bonds and cannot participate in both sides of the 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 Recommendation for Investment Banker Services**

Mr. Godfrey and Tom Hogg, Deputy Director, made this presentation.

Rhode Island Housing uses a group of investment bankers to assist it in structuring its bond offerings and leading the sales effort to place its bonds with retail and institutional buyers. Rhode Island Housing selects its bond underwriters biennially and issued a Request for Proposals (“RFP”) for such services earlier this year. In order to solicit interest from a broad group of investment banks, Rhode Island Housing advertised its RFP in the national daily trade publication for the governmental bond industry.

Rhode Island Housing received proposals to serve as senior underwriter from seventeen firms. Proposals were reviewed and graded and five firms were selected as finalists. They were CitiGroup, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS.

Interviews were conducted by the Audit Committee of the Board and selected staff members. Each of the finalists made prepared presentations which were followed by a question and answer session. Interrogatories from the Committee and staff spanned a wide array of issues including current and future economic conditions, implications of the sub-prime mortgage market crisis in the mortgage and bond markets and within each of the firms, responses to the shortage of tax exempt issuing authority (volume cap) in the housing sector, and any regulatory action, financial difficulties or other concerns that the investment banking firm might be dealing with or anticipating.

Based on presentations and interview responses, the Committee recommended that Goldman Sachs, Merrill Lynch and Morgan Stanley be selected as co-senior managers. A further refinement to the rotation protocol was adopted wherein Goldman Sachs would serve in the senior role for about half of our bond transactions with Merrill Lynch and Morgan Stanley splitting the other. CitiGroup would be considered for the senior role if a particular bond transaction fit its corporate competency more uniquely than the capabilities of the other three firms.

Staff is also recommending a co-manager pool of eleven firms. Co-managers assist the senior underwriters in the sales effort, but play a completely supporting role without any structuring discretion or placement authority. Recommendation for composition of the co-manager pool includes Bank of America, Bear Stearns, Carolan, CitiGroup, First Southwest, George K. Baum, MR Beal, RBC Capital, Roosevelt & Cross, Siebert Brandford, and UBS.

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

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

- Resolved:** That Goldman, Sachs, Merrill Lynch and Morgan Stanley be appointed Co-Senior Managing Underwriters for Rhode Island Housing for a two year period.
- Resolved:** That Bank of America, Bear Stearns, Carolan, CitiGroup, First Southwest, George K. Baum, MR Beal, RBC Capital, Roosevelt & Cross, Siebert Brandford, and UBS serve as Co-Managing Underwriters for Rhode Island Housing for the same two year period as the Co-Senior Managing Underwriters.
- Resolved:** That the Executive Director or the Deputy Director of Finance, each acting singly, be authorized to determine the composition of the underwriting team from the selected senior and co-managers for future financings, and may make additions or effect removals from the co-manager group as circumstances may warrant.
- Resolved:** That the Executive Director be authorized, upon consultation with the Chairman, to replace a Co-Senior Managing Underwriter with one of the approved Co-Managing Underwriters if he deems such replacement to be in the best interest of Rhode Island Housing.

**Approval of Financing for Crossroads**

Mr. Godfrey gave this presentation.

This Request for Action is for the conversion of the outstanding balance of an existing short-term \$2,500,000 construction loan (the “Construction Loan”) to Crossroads Rhode Island for 160 Broad Street into a Targeted Loan.

Prior to August 2004, Crossroads Rhode Island was located in the basement of the former Grant’s building on Union Street in the DownCity. There was a major push to relocate Crossroads to a site out of DownCity. 160 Broad Street, the YMCA building, was selected and purchased. This purchase allowed the YMCA to relocate and develop mission related spaces and programs that better meet the needs of its members and the community.

There are two distinct condominium components of the development at 160 Broad Street. One is the residential housing piece containing 194 unites. The \$11 million housing component was fully funded with typically complex Rhode Island Housing sources and these units have been completed and occupied since 2005. The second condominium consists of Program Space and involved the conversion of more than 50,000 square feet from former “Y” uses into a center for the reception and assistance of homeless families and individuals.

Rhode Island Housing made loans to various Crossroads related entities for the acquisition and renovation of the housing and program space totaling approximately \$26.7 million. During construction, several significant structural deficiencies in the building were uncovered that resulted in enormous construction cost overruns. Rhode Island Housing, as construction

lender, increased the Construction Loan in order to complete the project, in the expectation that Crossroads would be able to secure grant sources to retire the additional, unexpected debt.

After exhausting state, federal, private, corporate and philanthropic grant sources, approximately \$2.5 million of the Program side Construction Loan remains outstanding and is still without a permanent funding source. Rhode Island Housing, as lender, has rolled over the note each year since 2005.

In sum, Crossroads has been unable to secure the resources necessary to retire the Construction Loan. Staff recommends that the Construction Loan be converted to permanent financing in the form of a targeted loan, to mature the earlier of December 31, 2032 or on such date as the building is transferred or no longer used to provide services and housing to people who are homeless or at risk of becoming homeless. In addition Crossroads will grant Rhode Island Housing an exclusive right to all naming and signage rights on the exterior of the building at 160 Broad Street.

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

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

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

**Whereas,** Rhode Island Housing previously approved a \$2,500,000 construction loan to Crossroads Rhode Island to fund construction and rehabilitation improvements for 160 Broad Street located in Providence, Rhode Island; and;

**Whereas,** Rhode Island Housing staff has reviewed the submission, inspected the site, and determined that this Development qualifies for permanent financing under Rhode Island Housing's enabling legislation, regulations, guidelines and policies.

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

**Resolved:** That the Corporation is authorized to convert the outstanding balance of the existing Construction Loan to Crossroads Rhode Island into a Targeted Loan on such terms and conditions that the Executive Director determines to be in the best interest of Rhode Island Housing.

**Resolved:** That the Executive Director and any Deputy Director, each acting singly, be, and hereby are authorized and empowered in the name of and on behalf of Rhode Island Housing to take any and all action necessary to carry out these resolutions.

## **Executive Director's Report**

Mr. Godfrey referred the Commissioners to his written report, which had been previously distributed and briefly commented on several topics of interest.

- On November 29<sup>th</sup>, Rhode Island Housing joined HousingWorks RI and other partners at an event celebrating the first anniversary of the voter-approved \$50 million housing bond referendum. The celebration took place at Stillwater Mill in Burrillville, one of the twenty developments that received bond funding in 2007.
- In response to a Request for Proposals (RFP), Rhode Island Housing received a total of 16 responses to the KeepSpace RFP, representing applications from municipalities located throughout the state. Mr. Godfrey distributed a report on the status of the KeepSpace initiative as well as a spreadsheet describing each proposed project, including information on the developer, municipality, project type and the number of market and affordable units proposed.

Mr. Godfrey noted that one of the 16 applications submitted in the “Urban” category is from a consortium of non-profit community development corporations, including SWAP, Inc., which is headed by his wife. Mr. Godfrey informed the Board that he will not participate in the review, discussion or selection of any proposals submitted under the “Urban” category. A memo outlining this information has been distributed to all KeepSpace Committee members, Rhode Island Housing Board members and staff working on the initiative.

- On Tuesday, December 18<sup>th</sup>, we recognized numerous staff members for their years of dedicated service to Rhode Island Housing. All staff were invited to an awards breakfast to honor those individuals who have been employed here for 10 years or more. Those being honored were presented with special gifts in recognition of their years of dedicated service to the agency. Of special note is our Director of Asset Management, John Gordon, who recently celebrated his 30<sup>th</sup> anniversary here at Rhode Island Housing. An organization, we are proud, to have so many staff who have dedicated so much of their lives to helping Rhode Islanders.

## **Discussion of State of Homelessness in Rhode Island**

Susan Bodington and Amy Rainone gave an update on the status of Homelessness in Rhode Island.

Ms. Bodington introduced Noreen Shawcross, Chief of Housing for the State of Rhode Island who gave a detailed presentation on homelessness.

Ms. Shawcross noted that the most recent (July 1, 2005-June 30, 2006) annual report of the Rhode Island Emergency Food and Shelter Board show 6,889 men, women and children used shelters. The total 2005 national count was 744,313 persons with 44% unsheltered. National statistics are very similar to what we have experienced in Rhode Island with 41% persons in

families and 23% experiencing homelessness for a long time, referred to as “chronic homelessness.” Rhode Island is one of nine states with a high rate of homelessness.

Funding for homeless programs through the Housing Resources Commission has been cut 15% in the last two years. This has made it very difficult to operate shelters and to provide services as the need increases.

Some of the current issues include an influx of people into homelessness; nearly 200 newly homeless individuals and families monthly and the highest number of homeless women in history. Reasons include: family separation, job loss, eviction due to non-payment of rent and/or behavioral problems, multi-family foreclosures, discharges from Department of Corrections, youth aging out of care and people discharged from Butler Hospital to Crossroads.

The shelter status reports show that shelter beds are full statewide, Crossroads and Urban League facilities are far above capacity and a particular problem is that at least 20 women reside nightly at Crossroads.

Short term solutions include financing from the Office of Housing which has provided \$50,000 in funding to open an additional apartment based shelter for up to 20 women; United Way is providing \$30,000 and that Office of Housing has reallocated remaining winter shelter funds of approximately \$50,000 to assist Crossroads with current its current overflow population.

The Neighborhood Opportunities Program funds 5 additional units in an Urban League program and Gateway Rhode Island will reopen a HUD funded group home for 6 women; Rev. Don Anderson, of State Council of Churches, has organized churches and a synagogue to assist in the crisis and the Red Cross may provide cots and possibility volunteers for the churches.

Long term options are being investigated. The State of Rhode Island is actively implementing the “Rhode Island Action Plan to End Homelessness.” This plan will work with state department to reduce discharges, increase units of permanent supportive housing through the Neighborhood Opportunities Program, target housing for entry and homeless population, and replace Harrington hall by including shelter beds in a dual purpose facility.

A brief discussion followed the presentation with Ms. Shawcross and Ms. Bodington responding to questions from the board and staff. Mr. Godfrey thanked Ms. Shawcross for the presentation and for attending the board meeting.

### **Update on Rhode Island Housing Initiatives**

Mr. Godfrey announced that Rhode Island Housing’s strategic planning activities continue to move forward on a steady pace and that within the next few months, staff will present an update on the initiatives, the 2007 results and the 2008 goals.

Chairman Marouchoc extended best wishes to the board and staff for a joyous and healthy holiday season.

There being no further business to discuss, a motion was duly made by Commissioner Barge and seconded by Commissioner Caprio to adjourn the open meeting at approximately at 9:55 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.  
Secretary and Executive Director