

**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, January 17, 2008, 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; General Treasurer Frank T. Caprio; Michael Marques, Director of Department of Business Regulation; Kevin Flynn, designee for Beverly E. Najarian, Director of Department of Administration; Jose Monteiro and Perry Clough.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Thomas F. Hogg, Chief Financial Officer; Susan Bodington, Deputy Director; Amy Rainone, Director of Policy; Carol Ventura, Director of Development; 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 December 20, 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 December 20, 2007 hereby are approved.

Chairman's Report

Chairman Marouchoc did not have anything to report.

Committee Reports

There were no committee meetings held in January.

Executive Director's Report

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

Preliminary Approval of Refinancing for Indian Village Apartments

Mr. Godfrey presented this proposal.

This Request for Action is for Preliminary Approval of Refinancing for Indian Village Housing Development (“Indian Village”), an existing family housing development located within a Providence city block bounded by Pine Street, Somerset Street, Friendship Street and Myrtle Street and currently owned by Inter-Tribal Indian Village Housing Development Corporation.

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:

Development	Applicant	Tax-exempt Mortgage	Targeted Loan
Indian Village	Women’s Development Corporation	\$1,875,000	\$1,080,500

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 preliminarily approves a first mortgage loan to be financed by tax-exempt bonds, to Women’s Development Corporation, or an affiliated partnership (the “Borrower”) in an amount not to exceed \$1,875,000 for rental housing located at in Providence, Rhode Island.

Resolved, Rhode Island Housing hereby declares that the preliminary 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 \$1,875,000.00 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 Women’s Development Corporation., or an affiliated partnership (the “Borrower”) in an amount not to exceed \$1,080,500 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.
- Provision of acceptable letter of commitment from an equity provider for the transaction demonstrating syndication proceeds from 4% Low Income Housing Tax Credits in amounts sufficient to assure development feasibility.
- Approval by Rhode Island Housing of all members of the development team.
- Approval of the proposed operating budget.
- Approval by Rhode Island Housing of 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 firm commitment and closing in accordance with normal underwriting and processing requirements.
- Approval from the City of Providence to defer existing interest payments on the two outstanding HODAG loans.
- Evidence that neither Fannie Mae nor Freddie Mac will be purchasing the Low Income Housing Tax Credits as Fannie Mae and Freddie Mac are key buyers of Rhode Island Housing bonds and cannot participate in both sides of the transaction.
- Approval from the Affordable Housing Trust.

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 Resolution to Address Homelessness

Mr. Godfrey and Susan Bodington, Deputy Director, made this presentation.

Housing for formerly homeless families and individuals is by its nature more expensive to operate than other housing in our portfolio. Residents need security and supportive services to enhance their stability in housing. Due to rapid increases in costs, especially utilities and insurance, and increases in the number of families and individuals needing housing and supportive services, the homeless facilities in Rhode Island Housing's portfolio and those we fund through federal programs are experiencing financial stress. The population served by our permanent supportive housing and by the shelters cannot increase rent contributions and federal rent subsidies have not kept pace with operating costs. In some instances this has resulted in defaults on mortgage payments and in other cases we are struggling to refinance developments that are experiencing operating deficits. Similarly, shelter facilities are experiencing financial distress due to increases in homelessness and decreasing state and federal support. We anticipate that escalating utility costs will contribute to this worsening situation this winter.

The State reports that there are 200 newly homeless monthly and that all shelter beds are full. The demolition of Welcome Arnold last year has limited the ability of the system to quickly absorb the current need. CrossRoads reports that 30 to 40 individuals sleep in their community room nightly. This is not a space equipped for sleeping. The Housing Resources Commission has established Operation First Step to replace the beds lost at Welcome Arnold. However, their budget for homelessness has been cut in the past few years and they have no additional funds available.

In order to preserve the supportive housing units currently in our portfolio and to assist shelters and supportive housing sites to meet the costs of additional services, clients, and operating costs, staff recommends that the Board of Commissioners adopt the attached resolution to establish a homeless fund in the amount of \$1 million. Any organization with a contractual relationship with Rhode Island Housing and that serves the needs of the homeless will be eligible to request assistance to meet immediate needs. These funds are intended to be a one-time infusion of cash to solve an immediate financial problem and are not intended as on-going operating support. Although minor emergency improvements may be funded, any significant construction would be funded from our Special Needs Rental Production Program or other development resources.

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

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

- Whereas,** Homelessness continues to increase in Rhode Island, with 6,889 men, women, and children using shelters in 2006; and
- Whereas,** Supportive Housing sites and shelter facilities are experiencing financial stress due to increasing costs and increasing demand for services; and
- Whereas,** In order to stabilize operations and continue to provide adequate services and security to current and formerly homeless residents;

Now, therefore, it is hereby:

- Resolved,** That Rhode Island Housing hereby establishes a Homeless Fund in the amount of \$1,000,000 (one million dollars) to meet the immediate needs of facilities for homeless families and individuals.
- Resolved,** Any facility or housing previously funded by Rhode Island Housing and providing supportive housing or shelter for the homeless may apply for an allocation of funding to meet immediate needs, including, but not limited to operating costs, security, and/or services.
- Resolved,** That all facilities funded provide services to their residents in a safe environment and that shelter facilities provide case management with the goal of rapidly placing clients in permanent housing
- Resolved,** That the Executive Director and any Deputy Director, and the Director of Policy, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

Presentation of Proposed Policy Regarding Interest Rate Related Derivatives

Mr. Godfrey gave an overview of a proposed Policy Regarding Interest-Rate Related Derivatives and distributed a copy of the policy to the Board. The purpose of the proposed Policy is to provide a technique to Rhode Island Housing that will better match interest rates on sources of funds (bond and note liabilities) and their corresponding uses (loan and security assets), thereby reducing interest rate risk and lowering the cost of borrowing.

Chairman Marouchoc referred the proposed Policy to the Audit Committee for consideration and recommendation to the full Board at the February meeting. No action was taken at this time.

Approval of Homeownership Opportunity Bonds Series 59

Mr. Godfrey made this presentation and Tom Hogg, CFO, provided additional information regarding the details of the bond issuance.

Rhode Island Housing staff regularly monitors loan origination activity for the single-family program to determine future funding needs and the timing and structure of bond issuance. In addition, staff tracks prepayment speeds of existing mortgages, upcoming maturity dates and optional call dates of notes and bonds, and associated volume cap in order to take full advantage of our authority to issue tax-exempt mortgage revenue bonds and maximize our flexibility and minimize our cost in providing mortgages to low and moderate income borrowers. Based on this analysis, staff recommends the issuance of fixed-rate bonds under HOB Series 59 in an amount not to exceed \$100 million.

A comment regarding volume cap and the possibility of issuing taxable bonds is relevant. Historically, staff has been able to balance annual utilization of volume cap (which is the mechanism that rations the issuance of tax exempt housing bonds) with annual awards of new volume cap. In fact, over past years, staff has adopted various methodologies to preserve and build up a carry-forward balance of volume cap. More recently, this balance has been significantly tilted towards utilization because of the very high level of loan origination activity in the single family portfolio. At present production levels, we must incorporate taxable bonds, if feasible, into each bond series in order to stretch volume cap and still offer affordable rates on our residential mortgages. Almost every housing finance agency is currently experiencing this same situation and uses this blending approach as a standard way to deal with it.

One additional component of structure that may be appropriate in this and future series of Homeownership Opportunity Bonds is the utilization of interest rate related derivatives. Bond markets have been constrained recently by a significant lack of liquidity, particularly in the intermediate and longer term fixed rate categories. Consequently, it may be desirable to issue term bonds with floating rates accompanied by a derivative instrument which converts it to a fixed rate structure. If so, the hedged structure will conform to the general Policy for Interest Rate Related Derivatives.

Issuance of new bonds to support single family mortgage loan production occurs three to four times a year. We are at one of those issuance points, as the current level of loan production suggests new bonds will be needed in February or March. Based on seasonal production estimates, a \$100 million issuance will cover homeownership loans for the next three to four months.

Upon a motion made by Commissioner Marques and seconded by Commissioner Clough the resolution was unanimously adopted in the form presented to the meeting, which Resolution is attached as part of the January 17, 2008 board package.

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.

Mr. Godfrey announced that Judy Jones, our Government Affairs Liaison, has decided to retire after 18 years of dedicated service to Rhode Island Housing. In order to thank Judy for her dedication in bringing attention to the housing issues facing our state, and for her work with so many community-based organizations, Rhode Island Housing is hosting a reception in her honor. Mr. Godfrey invited the Board of Commissioners to join him at Barnsider's Mile and a Quarter, 375 South Main Street in Providence on Wednesday, January 23, 2008 from 5 pm to 7 pm.

Mr. Godfrey also congratulated Jim Vincent, who has been selected as the recipient of the David E. Sweet award by Leadership RI. This prestigious award was established 21 years ago to honor one of the driving forces behind the design of the LRI program, David E. Sweet. The award recognizes an outstanding individual who has demonstrated his/her commitment to the community and inspires others to serve the community. We are very proud that Jim has been selected for this award and will be joining in honoring him at Leadership RI's awards luncheon on February 7th.

The Providence Preservation Society (PPS) is also honoring Rhode Island Housing for its role in AS220's Dreyfus project in downtown Providence. AS220 is being recognized at PPS's Annual Meeting & Awards Presentation for the high-quality rehabilitation and the positive impact the project has had on downtown's ongoing revitalization efforts.

Foreclosure activity in Rhode Island for December 2007 showed that statewide the number of legally noticed foreclosures increased again in December to 308 initiations. In total, 2,171 properties were noticed for foreclosure in the one year period from January - December 2007. A majority of the foreclosures are on properties located in Providence.

Staff continues to move forward with KeepSpace with presentations of executive summaries and evaluations of each of the 16 responses to the RFP to the KeepSpace Advisory Committee at its next meeting. Following review and discussions with the Advisory Committee, final recommendations will be presented to the Board in March. Additional information on the KeepSpace review process will be presented to the Board at a later date.

There being no further business to discuss, a motion was duly made by Commissioner Clough and seconded by Commissioner Barge to adjourn the open meeting at approximately at 9:20 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director