

**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, September 18, 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; Michael Solomon, designee for General Treasurer Frank T. Caprio; Michael Marques, Director of Department of Business Regulation; Noreen Shawcross, designee for Jerome Williams, 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; 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.

Edward Pare, 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 August 21, 2008, 2008

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

VOTED: That the Minutes of the Board Meeting held on August 21, 2008 hereby are approved.

Chairman's Report

Chairman Marouchoc did not make a report.

Committee Reports

The Human Resources Committee and Budget Committee met on September 10, 2008 to discuss the health insurance plan and proposed budget for merit based salary increases for FY 2009. The recommendations of the HR and Budget Committees will be presented during action

item number 7 of the agenda. Copies of the minutes of the Human Resources and Budget Committees were provided in the board package.

Executive Director’s Report

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

Approval of Revised Draft Qualified Allocation Plan (QAP)

Richard Godfrey and Ms. Ventura, Director of Development, made this presentation.

Pursuant to the Revenue Reconciliation Act of 1989, each tax credit allocating agency must adopt a Qualified Allocation Plan (the “Plan”) that establishes the priorities and criteria for both allocating and monitoring low-income housing tax credits. The Plan must receive a Public hearing and a subsequent public comment period prior to being finalized and presented to the Governor for approval.

In accordance with these requirements, Rhode Island Housing has administered its tax credit program under a Plan that was first adopted in January, 1990. The Plan was last amended in June 2007.

At the June 19, 2008 Board Meeting, the Board approved the 2009 Qualified Allocation Plan governing Rhode Island Housing’s allocation of Housing Tax Credits. In July, Congress approved the Housing and Economic Recovery Act of 2008 (the “Act”) which contained several provisions regarding Housing Tax Credits. The Request for Action seeks preliminary approval of the draft changes incorporating changes required by the Act in response to the Act.

Staff has proposed the following changes to the Plan.

Section I.A.	Overview
Section I.B	Rhode Island Annual Tax Credit Allocation Pool
Section I.D.1)	Lock-In Applicable Credit Percentages
Section I.E.6)	Placed-In-Service Requirements
Section I.E.7)	Minimum Rehabilitation Requirements
Section I.E.8)	Ten Year Placed In Service Restriction
Section I.F.	HUD Qualified Census Tract/Difficult-To-Develop Areas
Section II.6)h)	KeepSpace Communities

Black-lined and clean drafts of the Plan were provided to the Board.

The Plan will become effective after (i) the expiration of the public comment period; (ii) final approval by the Board of Commissioners of the Plan (including any changes, pursuant to public comments); and (iii) approval by the Governor.

Upon a motion made by Commissioner Solomon 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 (“Rhode Island Housing”) has been designated by the Governor as the Principal Housing Agency and Tax Credit Allocation Agency for the State of Rhode Island (the “State”);

WHEREAS, The Revenue Reconciliation Act of 1989 requires tax credit allocating agencies to allocate low-income housing tax credits according to a Qualified Allocation Plan (the “Plan”);

WHEREAS, On June 19, 2008, the Plan was approved by the Board of Commissioners (the “Board”);

WHEREAS, On July 30, 2008, President Bush signed into law the “Housing and Economic Recovery Act of 2008 (the”Act”);

WHEREAS, The Act has significantly changed the low income housing tax credit program established by the Reconciliation Act of 1989; and

WHEREAS, The Plan will need to be amended to incorporate the required statutory changes.

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing be, and hereby is, authorized to publish notice of its intent to approve and adopt the proposed Revised 2009 Qualified Allocation Plan, substantially in the form attached hereto as Attachment B.

Approval of Selection of KeepSpace Consultant

Mr. Godfrey made this presentation.

On May 15, 2008, the Rhode Island Housing Board of Commissioners approved the designation of four KeepSpace Communities under our new KeepSpace Communities Initiative: Cranston Print Works, Olneyville KeepSpace Initiative, Pawtucket/Central Falls Train Station, and Westerly Landing/ Westerly Depot. Over the summer each of the four KeepSpace Community teams met with the KeepSpace Advisory Committee to begin to identify a vision for the community, opportunities, challenges, resources needed, key partners, and next steps.

One of the first steps that each KeepSpace Community team must take is the development of a Comprehensive Community Design. The Comprehensive Community Design is a shared vision for the community that reflects the six KeepSpace Elements (A Good Home, Healthy Environment, Strong Commerce, Sensible Infrastructure, Positive Community Impact, and Integrated Arts, Recreation, Culture and Religion) and is to be developed with the input of key

partners including members of the local community, the KeepSpace Advisory Committee, state and local resource and regulatory agencies, and economic development, cultural and environmental protection interests.

In order to assist our KeepSpace Communities in developing their Comprehensive Community Designs, Rhode Island Housing issued a Request for Proposals (RFP) from consultants experienced in public workshop facilitation and visioning as well as architectural design and planning. The primary role of the consultant will be to work with the KeepSpace Advisory Committee and representatives from the four KeepSpace Communities to guide them in their efforts to facilitate constructive dialogues with the key partners for each site and develop Comprehensive Community Designs that achieve their fullest potential as model KeepSpace Communities. The scope of services provided will vary by community depending on the experience and strengths of the development team, the nature and scope of the initial vision for the site, and the stage the proposal is at in the visioning process. These services may include:

- Assisting in the development of the process that will be used to create the Comprehensive Community Design;
- Identifying key partners to include in that process and the best strategies for engaging them;
- Assisting in the implementation of that process including providing support to the development team in preparing for and facilitating, where needed, meetings with key partners, the KeepSpace Advisory Committee and community residents;
- Providing guidance to the Advisory Committee and the development team on opportunities to maximize the incorporation of KeepSpace elements in the scope or design of the proposal. This guidance will include recommendations on site uses, and incorporation of low impact or green design features as appropriate;
- Facilitating targeted meetings as needed to balance the needs of the Advisory Committee, Rhode Island Housing, the development team and the community while still adhering to the KeepSpace principles.

The exact services will be discussed and revised from time to time during the term of the engagement between Rhode Island Housing and the consultant. Rhode Island Housing is actively engaged in many other developments beyond the 4 initially designated KeepSpace Communities and occasionally needs design and community consulting services. This work and the work with the four KeepSpace communities may expand beyond the scope of the currently proposed budget. Additional contract authorization may be requested from the Board as the scope of these services becomes more clearly defined.

The RFP was distributed in August 2008 to thirty-five (35) firms and posted on the website maintained by the Rhode Island Division of Purchasing.

The following firms submitted proposals:

- The Cecil Group
- Horsley Witten Group Inc. and Dodson Associates
- Mostue & Associates Architects, Inc.

- Morris Beacon Design
- PARE Corporation
- James Kent Associates

Rhode Island Housing staff reviewed the proposals and interviewed four finalists whose proposals best responded to the needs identified in the RFP. Following evaluation of each proposal and consultation with the KeepSpace Advisory Committee, staff recommends that the Horsley Witten team be engaged to provide KeepSpace Community Design consulting services.

Horsley Witten is a full-service planning and engineering firm with offices in Rhode Island and Massachusetts. They are partnering with Dodson Associates, a landscape architecture and planning firm that specializes in smart growth and sustainable development, and the Consensus Building Institute which works with organizations and communities to promote effective negotiations, build consensus and resolve conflicts. The Horsley Witten team was selected because their combined skill sets are well suited to the proposed scope of work, and their previous projects in Rhode Island and around the region, are of high quality and in keeping with the KeepSpace philosophy.

Mr. Godfrey recognized Nathan Kelly, of the Horsley Witten Group who was present and available to respond to questions from the Commissioners.

Upon a motion made by Commissioner Solomon 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 created the KeepSpace Communities Program to develop a new approach to community development that fosters a comprehensive and integrated community development plan; and

Whereas: Rhode Island Housing seeks to engage a consultant to assist the four designated KeepSpace Communities in developing their Comprehensive Community Designs; and

Whereas: Staff recommends that the Horsley Witten Group Inc. be engaged to provide consulting services to assist in the development of the KeepSpace Comprehensive Community Designs.

NOW, THEREFORE IT IS HEREBY:

Resolved: That Rhode Island Housing be, and it hereby is authorized, to enter into a contract with Horsley Witten Group Inc. for the delivery of consultant services to assist in the development of Comprehensive Community Designs for the four KeepSpace Communities, on such terms as the Executive Director or his

designee believes are in the best interests of Rhode Island Housing, in an amount not to exceed \$100,000.

Resolved: That the Executive Director, or any Deputy Director, each acting singly, shall take any and all actions they deem necessary to carry out the foregoing Resolution.

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 noted that in a world of financial turmoil, Rhode Island Housing continues to perform satisfactorily. Rhode Island Housing had about \$7.5 million exposure in Guaranteed Investment Contracts (GICs) due to the downgrade of AIG; however, our GIC permitted Rhode Island Housing to seek immediate repayment in the event of a downgrade. We have been advised that these funds will be paid in accordance with the GIC. A report on all of our GICs has been provided to State Treasury and Budget officials.

Other than the GIC issue, the two biggest concerns are the lack of housing credit investors and the threat of a long and deep economic downturn. With many traditional housing credit investors suffering losses elsewhere in their portfolios, they have limited appetite for new investments. Rhode Island is also disadvantaged by a wide perception that its overall economy is very weak. The shortage of housing credit investors means that much of our new rental production with 9% credits, as well as our preservation transactions using 4% credits, are stalled. Rhode Island Housing is exploring various methods to keep these developments moving forward.

Mr. Godfrey noted that the first eight months of 2008 have witnessed stabilization in activity in our single family loan portfolio. We are not seeing the dramatic levels witnessed in 2007, but are on track to exceed our 2004 and 2005 production numbers. To date in 2008, we have closed on a total of 700 loans, with a value of \$126 million, and an \$180,000 average loan amount.

As more and more Rhode Islanders face rising costs in their day-to-day lives, Rhode Island Housing is seeing an up-tick up in the number of mortgage loan delinquencies in its portfolio. A review of data from the last few years shows that the overall number of loans in delinquency shows an increase in both foreclosure activity and the number of REOs in our portfolio. Loan Servicing staff continue to work with borrowers to prevent foreclosure and find viable solutions to their financial difficulties.

Mr. Godfrey noted that although we have not seen major problems with loan delinquencies in our own portfolio, we are very worried about our good borrowers who are in or may experience hard times due to job loss or cut-backs and higher non-mortgage costs. A report on foreclosure activity in Rhode Island for August 2008 shows that statewide the numbers of legally noticed foreclosures were slightly below the July numbers. Of the 372 properties noticed for foreclosure in August 2008, 211 were located in Providence.

Approval of Fiscal Year 2009 Budget

Commissioner Marques made this presentation, with additional information provided by Mr. Hogg.

The fiscal year 2009 Budget was reviewed by the Budget Committee of the Board on September 10th. Comparative analyses to prior year budget and actual amounts were presented to the Committee, and explanations of major components of revenue and expense were given. Comparisons to rating agency metrics were also discussed.

Mr. Marques presented the report and recommendations of the Budget Committee. He highlighted the significant elements of the FY 2009 budget and referred to comparative analyses to the prior year budget. Mr. Hogg provided additional explanation for changes from the prior year budget and outlined the assumptions underlying the current income and expense budget. Of particular note is the effect of very difficult environment in the bond markets, significant price depreciation in the housing sector and a weaker national and local economy. As a counterbalance on the positive side is strong loan production in both the single and multi-family divisions.

Also of note within the Budget are the following efforts: (1) application of recently enacted federal legislation intended to address widespread foreclosure activity, (2) counseling assistance for homeowners experiencing delinquency and foreclosure problems through our Help Center, (3) funding for the Road Home and Keep Space initiatives, (4) program funding for special needs housing, (5) continued funding for our corporate communications and marketing effort, and (6) upgrading of our website's content and usability.

The FY 2009 Budget was reviewed by the Budget Committee on September 10, 2008. Minutes of the Budget Committee were provided to the Commissioners. The Committee recommended that the FY 2009 budget be adopted as presented.

Chairman Marouchoc along with Commissioner Marques commended staff on the excellent quality and consistency of work.

Upon a motion made by Commissioner Marques and seconded by Commissioner Monteiro the following resolution was unanimously adopted along with the FY 2009 Budget which is attached as part of the September 18, 2008 board package.

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

Resolved: That the fiscal year 2009 Budget of the Corporation as set forth in Attachment B is hereby approved.

Commissioner Clough felt it would be beneficial for the Commissioners to receive quarterly reports on the Budget as a financial benchmark of where Rhode Island stands during this economy. Mr. Godfrey assured the Commissioners that staff will diligently and willingly provided the requested the reports.

There being no further business to discuss, a motion was duly made by Commissioner Barge and seconded by Commissioner Marques to adjourn the open meeting at approximately at 9:10 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director