

**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 21, 2009, at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Anthony Marouchoc; General Treasurer Frank T. Caprio; Michael Marques, Director of Department of Business Regulation; Kevin Flynn, designee for Jerome Williams, Director of Department of Administration; Jose Monteiro and Perry Clough. Vice Chairwoman Denise Barge 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; Leslie McKnight, Director of Servicing Michael V. Milito, Corporation Counsel and Jo-Ann Ryan Communications Director.

Brian 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 4, 2008**

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 4, 2008 hereby are approved.

**Chairman's Report**

Chairman Marouchoc did not have anything to report.

**Committee Reports**

There were no committee meetings held in December.

**Executive Director's Report**

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

## **Homeownership Opportunity Bond Authorization of Reimbursement Resolution**

Mr. Godfrey along with Mr. Hogg presented this request.

In normal times, housing finance agencies are able to synchronize their lending activities with bond issuance closely enough so that no intermediate debt, other than warehouse line borrowing, is needed. However, bond markets today are not functioning as before, making issuance of long-term debt difficult. Therefore, longer term bridge funding of newly originated loans is necessary.

Rules governing mortgage revenue bond (“MRB”) issuance, and the required matching of program related loans with MRB proceeds, allow mortgages to be funded with intervening debt instruments for up to eighteen months and retain their eligibility for tax-exempt financing. After that time period, loans are ineligible for tax exempt financing.

Rhode Island Housing intends to use intervening debt to finance its loan production until the bond markets return to normalcy. The source of this debt will be the Federal Home Loan Bank System (“FHLB”). If the bond markets become active again over the next eighteen months, these loans will be transferred to the MRB portfolio and the intervening FHLB debt will be satisfied with proceeds from issuance of new MRB’s.

Payment of the intervening debt with new MRB debt is termed “reimbursement” within the tax code. A resolution to that effect, describing a reimbursement plan, provides explicit evidence of intent for the benefit of IRS rule compliance.

Upon a motion made by Commissioner Marques 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**

#### **Regarding Borrowing Funds From The Federal Home Loan Bank System To Finance Program Loans And Program Securities And The Intent To Reimburse Funds Expended for the Purchase of Program Loans and Program Securities With Bonds Issued By The Rhode Island Housing And Mortgage Finance Corporation**

**WHEREAS**, the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) is authorized under the laws of the State of Rhode Island and Providence Plantations (the “State”), and in particular under the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, constituting Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended and supplemented (the “Act”), to encourage the investment of private capital and stimulate the construction and rehabilitation of residential housing for persons and families of low and moderate income, to provide

construction and mortgage loans, and to make provision for the purchase of mortgage loans and otherwise as is necessary to accomplish its purposes; and

**WHEREAS**, the Act declares that there exists in the State a seriously inadequate supply of and a pressing need for safe and sanitary dwelling accommodations within the financial means of persons and families of lower income, and that private lending institutions have been and will continue to be unable to provide necessary financial support for lower income housing and the resulting shortage of financing is wholly or partially responsible for the shortage of lower income housing; and

**WHEREAS**, due to current financial market conditions, Rhode Island Housing is currently unable to sell bonds to finance Program Loans and Program Securities, each as defined in the General Homeownership Opportunity Program Bond Resolution, adopted on October 19, 1988 (the “General Resolution”); and

**WHEREAS**, Rhode Island Housing wishes to borrow funds from the Federal Home Loan Bank system (“FHLB”) to provide for additional funding for the financing of Program Loans and Program Securities as any Authorized Representative may deem necessary or advisable to best satisfy the present and future demands for Mortgage Loans under the Program; and

**WHEREAS**, Rhode Island Housing intends to reimburse itself for any amounts used to finance Program Loans and Program Securities with the proceeds of future bonds issued pursuant to the Act and the General Resolution.

**NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF THE RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION AS FOLLOWS:**

**Section 1.** To accomplish the purposes of the Act and to provide funds to finance Program Loans and Program Securities during current financial market conditions, Rhode Island Housing authorizes the borrowing of funds from FHLB (the “Borrowing”) to make such funds available for the financing of Program Loans and Program Securities.

**Section 2.** The Chairman of the Board of Commissioners, Executive Director, Deputy Director-Finance, Controller, Treasurer and Portfolio Manager of Rhode Island Housing (as used in this resolution, the “Authorized Representatives”) are each hereby designated an Authorized Representative of Rhode Island Housing, and each of them is hereby authorized and directed to execute and deliver any and all agreements, contracts, instruments, opinions, certificates, affidavits and other documents, and to do and cause to be done any and all acts and things necessary or proper for carrying out this resolution and effecting the Borrowing. The Authorized Representatives are each hereby further authorized to take any and all such actions and execute and deliver any and all such documents, agreements, pledges and other instruments as each may deem necessary or advisable to effectuate the Borrowing.

**Section 3.** Rhode Island Housing reasonably expects and intends to issue bonds pursuant to the General Resolution, the proceeds of which may be used to reimburse Rhode Island Housing for funds expended by Rhode Island Housing prior to the issuance of such

bonds to make, provide, purchase or otherwise finance the Program Loans and Program Securities.

**Section 4.** Terms not otherwise defined herein shall have the meaning assigned to them in the General Resolution.

**Section 5.** This resolution shall take effect immediately.

### **Final Approval of Financing for Sandywoods Farm**

Mr. Godfrey presented this proposal.

This Request for Action is for a reservation of up to \$1,008,313 in 9% Housing Tax Credits (“HTCs”), Firm Approval of up to \$2,600,000 of first mortgage financing, construction financing for both the rental and homeownership of up to \$11,200,000, a \$843,200 Targeted Loan and a Letter of Credit for road construction for the Sandywoods Farm development in Tiverton.

The Sponsor, Church Community Housing Corporation (“CCHC”), proposes to develop 50 new rental housing units and associated community space as part of a larger development that includes 24 single-family homes, an economic development/commercial component focused on artists and agriculture as well as the preservation of land for open space and agricultural uses.

The residential component for which the housing tax credits are sought will include 50 units in the form of a series of cottages along rural lanes. Small community gardens will be interspersed within the site to reflect the adjacent agricultural pastureland. Ten one-bedroom, twenty-four two bedroom and sixteen three bedroom units will range in size from 672 to 1,258 square feet. Eighty percent, or 40 of the units, will be tax credit units affordable to households below 60% of AMI, and twenty percent, or 10 of the units will be available for households with incomes between 60 and 80% of AMI.

Mr. Godfrey introduced Steve Ostiguy of Church Community Housing who made a brief presentation to the Board outlining this proposal. Mr. Ostiguy also extended his thanks to Carol Ventura, Susan Bodington, Anne Berman and David Hannifin for their support and assistance throughout this process.

Commissioner Caprio stepped out at this point and was not present to vote on this request.

Upon a motion made by Commissioner Flynn and seconded by Commissioner Clough the following resolution was unanimously adopted by the Commissioners present. Commissioner Caprio did not vote on this Resolution:

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

**Whereas,** the Low Income Housing Tax Credit Program (the “Program”) was created as part of the Tax Reform Act of 1986 (the “Act”); and

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") has been designated the Administrator of the Program in the State of Rhode Island; and

**Whereas,** Rhode Island Housing staff has determined that the applicant ("Applicant") listed below is eligible for the Program under the laws of the State of Rhode Island and the Federal Tax Code; and

**Whereas,** The Applicant has submitted an application to Rhode Island Housing for the reservation of tax credits from the tax credit authority available in the calendar year 2008 ("the Tax Credit") and for construction/permanent mortgage financing as follows:

<b>Applicant</b>	<b>Development</b>	<b>9%Tax Credits</b>	<b>1<sup>st</sup> Mortgage</b>	<b>Targeted Loan</b>	<b>Construction Loan</b>
Sandywoods Homes L.P.	Sandywoods Farm	\$1,008,313	\$2,600,000	\$843,200	\$9,000,000

**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;

**Whereas,** Rhode Island Housing is authorized, under its enabling legislation, to borrow funds to carry out its corporate purposes.

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

**Resolved,** That \$1,008,313.00 of allocated 2008 or 2009 tax credits be reserved for the Applicant pursuant to Section 3 of the Rules and Regulations of Rhode Island Housing applicable to the Allocation of Low-Income Housing Tax Credits (the "Rules and Regulations of Rhode Island Housing"), and that the Executive Director, either Deputy Director and the Director of Development each acting singly be, and hereby is, authorized and empowered in the name of and on behalf of Rhode Island Housing to take any and all action necessary to cause such reservation to be effective; and further, that a final allocation shall be made at such time as the applicant complies with the requirements of the Act and the Rules and Regulations.

**Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby gives firm approval of a taxable first mortgage loan to Sandywoods Homes L.P. (the "Borrower") in an amount not to exceed \$2,600,000 (the "Loan") for family housing located in Tiverton, Rhode Island.

**Resolved:** That Rhode Island Housing hereby gives firm approval for \$843,200 of Targeted Loan Funds for the Borrower.

**Resolved:** That, subject to the special conditions listed below, Rhode Island Housing hereby declares firm commitment approval for a construction loan to Sandywoods Homes L.P., in an amount not to exceed \$9,000,000, on such terms and conditions as the Executive Director determines to be in the best interests of Rhode Island Housing, for rental housing known as Sandywoods Farm located in Tiverton, Rhode Island;

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

- The award of grant funding from the Rhode Island Renewable Energy Investment Program in the amount of \$100,000 or the availability of alternative equity satisfactory to Rhode Island Housing;
- Syndication equity from the sale of 9% HTCs in amounts sufficient to achieve project feasibility;
- Finalized plans and specifications that meet Rhode Island Housing design criteria;
- Acceptable final appraisal and market study by independent appraiser demonstrating that the loans do not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units;
- Approval by Rhode Island Housing of all management related issues including the Marketing Plan for the rental units;
- Approval of twenty-five (25) project based Section 8 certificates for this development;
- Approval of a satisfactory arrangement with the Federal Home Loan Bank participating lender regarding the terms and servicing of the first mortgage.
- Satisfactory and timely performance in accordance with the schedule established by Rhode Island Housing staff and sponsor.

**Resolved,** That, in order to fund Rhode Island Housing's loan to Sandywoods Homes L.P. with respect to Sandywoods Farm, Tiverton, Rhode Island, affordable housing project, Rhode Island Housing may enter into a \$2,600,000.00 loan arrangement (the "Loan") with BankNewport (the "Bank");

**Resolved,** That Rhode Island Housing may secure the Loan by granting to the Bank security or other interests in certain of Rhode Island Housing's assets, including, without limitation, an assignment of Rhode Island Housing's loan documents with Sandywoods Homes L.P.;

**Resolved,** That the Executive Director, any Deputy Executive Director or the Director of Development (each, an "Authorized Officer"), acting singly, be and each hereby is authorized to enter into such documents with the Bank as the Bank may require to evidence the Loan, including, without limitation, a loan agreement, special obligation note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as

the valid action of and by Rhode Island Housing, approved in all respects by the Commissioners of Rhode Island Housing;

**Resolved,** That the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of Rhode Island Housing of all such other agreements, documents and instruments and the performance by Rhode Island Housing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by Rhode Island Housing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by Rhode Island Housing, approved in all respects by the Board of Commissioners; and

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

Commissioner Caprio returned to the meeting at this point.

### **Designation of Rhode Island Housing Development Corporation to Accept General Partner Interests**

Mr. Godfrey made this presentation.

This Request for Action is for designation of the Rhode Island Housing Development Corporation (the “Development Corporation”) to accept the assignment of general partner interests in three developments in Providence which provide housing to homeless families and individuals.

Linwood Court, Advent House II and Advent Apartments (collectively, the “Developments”) are low-income housing tax credit properties located in Providence, Rhode Island financed by Rhode Island Housing in the 1990s. Linwood Court is a forty-four mixed unit development financed in December 1992; Advent II is a thirty four unit single-room occupancy development financed in June 1994; and Advent Apartments is a fifty-seven (57) unit efficiency development financed in August 1997. Each of the Developments provides critical housing to homeless individuals and families.

Advent House, Inc. (“Advent, Inc.”), a Rhode Island non-profit corporation, was the developer/sponsor of the Developments. Each of the Developments is owned by a single-purpose limited partnership created by Advent, Inc.: Linwood Court LP, Linwood Court II, LP and Mohican LP, respectively (collectively, the “LPs”). The general partner of each of the LPs is

a single-purpose affiliate of Advent, Inc. Enterprise Social Investment Corporation (“ESIC”) is the limited partner for Linwood Court and Advent Apartments; the Rhode Island Housing Equity Pool II is the limited partner for Advent House II. Advent, Inc. provided property management services for the Developments.

Over the past several years there have been a number of physical and financial challenges at the Developments. Over the years, for a variety of reasons, income was insufficient to pay debt service and to effectively operate the developments. As a result, the properties have suffered from physical deterioration and became increasingly financially unstable, prompting Rhode Island Housing to engage the Advent, Inc. board of directors and representatives of the limited partners to address the ongoing operational problems.

Since October 2007, Rhode Island Housing assumed an increasingly active advisory and support role in the operation of the Developments and refrained from exercising its rights under the various loan documents in the face of ongoing defaults in the hope that operations of the Developments would stabilize.

Despite these efforts, success has been elusive, and the various interested parties have reached consensus that significant changes need to be implemented at the Developments. To facilitate the stabilization of the Developments and protect its financial investment, Rhode Island Housing has negotiated a transfer of the general partner interest in each of the LPs from the Advent, Inc. affiliates to Rhode Island Housing, or its designee. All of the affected parties have agreed in principle to this transfer.

Rhode Island Housing staff recommends that the Development Corporation be designated to serve as the general partner for each of the Development. The Development Corporation has undertaken this responsibility in the past in similar situations.

In anticipation of the assignment of these interests, staff recommends that the Development Corporation engage a property manager and social service provider who can assist in the stabilization of the Developments. Staff, in conjunction with Advent, Inc., evaluated various potential management and service providers through a lengthy review process and intends to engage Crossroads Rhode Island to provide these services. Crossroads Rhode Island is one of the leading providers of housing and services to homeless Rhode Islanders and currently provides the same property management and social support services needed at the Developments at a nearby facility in Providence.

In addition, staff has reached agreement in principle with ESIC to provide significant additional equity funding for capital needs at Advent Apartments. Rhode Island Housing intends to contribute toward projected operating deficits at each of the Developments for a period of 24 months through the recently established Help for the Homeless Fund.

During this 24 month period, the short-term goal is to stabilize operations at the Developments while developing a long-term strategy for the refinance and recapitalization of the Developments under Rhode Island Housing’s preservation program.

Upon a motion made by Commissioner Marques 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,** Linwood Court Limited Partnership, Linwood Court II, Limited Partnership and Mohican Limited Partnership (collectively, the “Partnerships”) are, respectively, the owners of the properties located in Providence, Rhode Island known as Linwood Court, Advent House II and Advent Apartments (collectively, the “Developments”); and

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation, a corporation, instrumentality and agency of the State of Rhode Island ("Rhode Island Housing"), made certain loans to each of the Partnerships, (the “Loans”) which Loans were secured by mortgage and security interests in the Partnerships’ real and personal property for the associated Development; and

**Whereas,** after various attempts to stabilize the Developments, each continues to operate with operating deficits and are unable to address major and compelling needs for the Developments and have been unable to make payments to Rhode Island Housing despite various forbearance offered by Rhode Island Housing; and

**Whereas,** the current general partner of each of the Partnerships wishes to withdraw as the general partner and has requested that Rhode Island Housing or its designee become the general partner of each of the Partnerships; and

**Whereas,** each of the limited partners of the Partnerships have agreed to the withdrawal of the current general partner and the substitution by Rhode Island Housing or its designee.

**Now, therefore, be it:**

**Resolved,** that the Development Corporation, subject to the approval of its Board of Directors, be, and hereby is, designated to be substituted as general partner of each of the Partnerships under such terms and conditions as the Executive Director, in his sole judgment and discretion, deems to be in the best interests of Rhode Island Housing and the Development Corporation, and it is further

**Resolved,** that the Executive Director or any Deputy Director be authorized, empowered and directed to take any action to execute, file and deliver any contract, agreement or other instrument in his/her sole discretion shall deem necessary or advisable in connection with the assignment of the general partner interests in the Partnerships to the Development Corporation, and it is further

**Resolved,** that the Rhode Island Housing be, and hereby is, authorized, in conjunction with the Development Corporation and the current general partner of the Developments, to engage Crossroads Rhode Island as property manager and

social service provider for the Developments, under such terms and conditions as the Executive Director determines to be in the best interest of Rhode Island Housing and the Development Corporation, and it is further

**Resolved,** that the Executive Director or any Deputy Director, each acting singly, are hereby authorized, empowered and directed to take such actions as he or she deems necessary, in his or her sole judgment, to carry out the foregoing resolutions.

### **Convening of the Rhode Island Housing Development Corporation**

Chairman Marouchoc recessed the open meeting at 9:09 a.m. at which point a meeting of the Rhode Island Housing Development Corporation was convened.

At approximately 9:16 a.m. the meeting of the Rhode Island Housing Development Corporation was adjourned and the Rhode Island Housing Board meeting was reconvened.

### **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 recent economic reports indicate and predict major financial challenges for the state and national economy until the middle of 2011. Mortgage losses may more than double over the next 18 months and be compounded with major losses in consumer and commercial loans. In terms of total financial losses the country appears to be only about 30% of the way through. Goldman Sachs estimates that financial losses to date are at \$750 billion and are predicted to total about \$2.5 trillion.

Since the State cannot deficit-spend, its options are very limited. The Governor's 2009 Supplemental Budget demands huge public employee concessions as a way to avoid further cuts in programs or increasing broad based taxes. Rhode Island Housing is being asked to purchase and develop various state lands. However, Rhode Island Housing will be financially protected by state leases that are credit-worthy.

Rhode Island Housing's traditional business model involves selling tax-exempt bonds to investors at reduced interest rates and re-lending the proceeds with a small mark-up. However, this market has been essentially frozen for months and Mr. Godfrey noted that no housing bonds were sold anywhere in the country in the first 10 days of 2009. Rhode Island Housing has essentially used all of its existing bond proceeds. While there are some opportunities to sell small amounts of bonds to retail investors, and there are indications of increased interest in tax-exempt bonds as evidenced by net inflows of cash into bond funds for the first time in 15 months, the bond market is not yet functioning normally. In the interim, in order to keep its lending program active, Rhode Island Housing is seeking alternative sources of capital through borrowings from the Federal Home Loan Bank system and participation in FHA and Ginnie Mae programs.

Most investors are valuing safety over yield. Therefore federal agencies, including Fannie and Freddie are able to borrow money at much lower rates than states even if the investments are not tax-exempt. That is why Rhode Island Housing is switching funding platforms. Even if Rhode Island Housing's rates are slightly higher than federally funded loans, it still offers extra assistance and lower down payments than other lenders. Rhode Island Housing is also taking more interest rate risk as it moves to shorter maturities on its debt while continuing to offer 30 year mortgages.

Investors and lenders are subjecting Rhode Island Housing to far greater scrutiny and the Agency is similarly subjecting others to the same. Rhode Island Housing is also alert to seeking alternative partners when failures occur or risks of failure become more likely.

Mr. Godfrey noted that even though 2008 was a challenging year, Rhode Island Housing rose to the challenge and will continue to offer safe, reliable products and services to the people of Rhode Island. Mr. Godfrey also announced that since new challenges appear daily, staff will ensure that the Board of Commissioner are kept updated on current issues that affect the fiscal health of Rhode Island Housing and Rhode Islanders.

Commissioners Caprio commended Rhode Island Housing's staff on the professionalism and responsiveness to critical issues that affect the state. The Treasurer's office continues to refer those in need to the various services Rhode Island Housing offers.

Chairman Marouchoc endorsed Commissioner Caprio's sentiments. Ann Nolan, director of Crossroads also expressed sincere and heartfelt gratitude to Rhode Island Housing for continuing to support the homeless and those in need.

There being no further business to discuss, a motion was duly made by Commissioner Caprio and seconded by Commissioner Flynn to adjourn the open meeting at approximately at 9:43 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.  
Secretary and Executive Director