

**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, May 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; Vice Chairwoman Denise Barge; General Treasurer Frank T. Caprio; Michael Marques, Director of Department of Business Regulation; Kevin Flynn, designee for Gary Sasse, Director of Department of Administration; Jose Monteiro and Perry Clough.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; John Gordon, Director of Asset Management; Cathleen Paniccia, Director of Homeownership and Administration; 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 April 16, 2009

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

VOTED: That the Minutes of the Board Meeting held on April 16, 2009 hereby are approved.

Chairman's Report

Chairman Marouchoc announced that effective June 30, 2009 he was resigning as Chairman of the Board of Commissioners of the Rhode Island Housing, due to his relocation out of state.

Committee Reports

Chairman Marouchoc noted that an update of the status of the Legislative bills was presented in the board package.

Executive Director's Report

Mr. Godfrey deferred his report until after the action items.

Approval of HOME Funds

Susan Bodington, Deputy Director, and Commissioner Barge, made this presentation. In accordance with an Advisory Opinion from the Ethics Commission, Mr. Godfrey did not participate in the review and recommendation of the HOME proposals since SWAP's Executive Director is Mr. Godfrey's wife.

Chairman Marouchoc noted that House of Hope, Omni Development and SWAP, all of which he retains business relationships, are prospective recipients of HOME funds and recused from consideration and the vote.

Rhode Island Housing has administered the HOME Investment Partnerships Program since 1992. This year, the Corporation anticipates executing a grant agreement with the United States Department of Housing and Urban Development (HUD) for \$5,489,680 in FY 2009 HOME Program Funds.

Forty-four applications requesting nearly \$14 million from the HOME Program were reviewed by staff. Additional information was requested where necessary, and staff conducted site visits of selected proposals. In accordance with procedures adopted by the Board of Commissioners, the Executive Director did not participate in the review or consideration of any of the applications since his spouse is the Executive Director of one of the applicants for funding.

Following this review, all applications were rated based upon the scoring system in the Second Amendment of the Rules and Regulations of the HOME Program as adopted by the Board on May 19, 2005. All eligible applications were submitted to the HOME Program Advisory Committee for review. The Committee convened on April 27, 2009 and recommends eighteen (18) proposals for HOME funding. These recommendations will commit \$4,124,001 of the anticipated 2009 HOME Program funds.

A total of \$4,124,001 is recommended to be committed at this time. This amount will directly fund 112 units, including 94 units of rental housing, and 18 units for homeownership. The recommended developments will produce an additional 109 affordable units.

With the approval of these proposals, 75% of anticipated FY 2009 HOME funds will be committed. These recommendations increase the commitment of HOME Program funds since 1992 to \$73,999,277 to produce 3,812 affordable housing units in 498 developments.

Representatives from each of the proposed recipients were present and available to respond to questions from the Commissioners.

Commissioner Barge commended staff on their comprehensive review process and congratulated them on their efforts.

Upon a motion made by Commissioner Marques and seconded by Commissioner Flynn the following resolution was unanimously adopted by the voting members. Chairman Marouchoc did not participate in the discussion, consideration or vote on this resolution:

**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”) anticipates entering into an agreement with the U.S. Department of Housing and Urban Development to administer the HOME Program and;

WHEREAS: Rhode Island Housing expects to be authorized to disburse \$5,489,680 in Federal Fiscal Year 2009 HOME funds to eligible entities in order to create affordable housing opportunities, and;

WHEREAS: The applicants listed in Attachment B have submitted applications which meet the requirements of the HOME Program and;

WHEREAS: Staff of Rhode Island Housing and the HOME Program Advisory Committee have reviewed each of the eligible applications submitted and the Advisory Committee has recommended that HOME funds be committed to the proposals in Attachment B;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing commits \$4,124,001 in Fiscal Year 2009 HOME funds and program income, subject to the receipt of funds, in accordance with the program description as approved by the United States Department of Housing and Urban Development, to the proposals as recommended by the HOME Program Advisory Committee in Attachment B.

RESOLVED: That any Deputy Director and the Director of Development, 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.

Approval of Pre-Development Funds for North Cove Apartments

Mr. Godfrey presented this proposal.

This Request for Action (“RFA”) is for the commitment of a secured Predevelopment Loan in the amount of \$250,000 for North Cove Landing (“the Development”), a thirty-eight (38) unit new construction family rental development in North Kingstown, RI. The developer is North Dartmouth Properties, Inc. (the “Developer”).

North Cove Landing received a reservation of 2009 Housing Tax Credits (HTCs) and preliminary commitment of a First Mortgage and a Targeted Loan at the March 5, 2009 board meeting. The project is located on a vacant parcel of land at the end of Intrepid Road, close to the Wickford Village section of town. It received master plan approval under the Comprehensive Permit process and is adjacent to Wickford Village Apartments, a 129 unit

Section 8 elderly and family rental housing development that was refinanced by Rhode Island Housing and underwent significant renovations.

The costs to bring a tax credit deal to permanent closing are significant, often exceeding 15% of the total development costs. These planning and preconstruction expenses are typically for the architect to develop the full plans and specifications, survey and engineering work, environmental testing, legal and organizational expenses, appraisal and a market study. In the case of North Cove, this predevelopment loan will cover a portion but not all of the pre-development costs; however, it will help the Developer pay some of the pre-development expenses when incurred as opposed to asking the vendors to wait for payment until permanent closing. The loan is intended to help facilitate the production of new affordable homes.

Rhode Island Housing has an existing Predevelopment Loan program; however that program is only available to non-profit developers. North Dartmouth Properties is a for-profit developer and therefore is not eligible for that program. However, in light of the extent to which this development is consistent with Rhode Island Housing's KeepSpace priorities, staff recommends that a secured predevelopment loan be provided to the Developer under the terms and conditions described in this RFA.

While there are not collateral requirements under the existing non-profit Predevelopment Loan program, Rhode Island Housing will require collateral for this loan. Security for this predevelopment loan will be the 7.48 acres of project land that was recently subdivided and released from the obligations of Wickford Village. The current as-is appraised value of the North Cove property is \$1,025,000. This predevelopment loan, along with an existing land bank advance for the site acquisition of \$286,000, will be secured by the property. The land bank and predevelopment obligations combined will result in a loan-to-value ratio of 53%. Both obligations will be repaid when the permanent closing for the North Cove development occurs. The parcel being used as collateral for the loans is highly marketable.

The site contains many of the elements important to KeepSpace. The North Cove development will be serviced by walking trails, a boat launch, a bike path, and is within walking distance of Wilson Park, Narragansett Bay, and the town center. There is a good mix of potential job opportunities located within close proximity of the site which make it an ideal location for a family housing development (i.e. Quonset Point Commercial Complex, Wickford Village town center and the Post Road Commercial corridor of North Kingstown). There is also public transportation within walking distance and RIPTA currently services the adjacent Wickford Village site.

The Request for Action is for the commitment of a secured Predevelopment Loan in the amount of \$250,000.

Jackie McDonald, representing the sponsor, was introduced and thanked the board and staff for their consideration.

Upon a motion made by Commissioner Marques 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”) 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; and

Whereas, The Applicant has submitted an application to Rhode Island Housing for predevelopment financing as follows:

Applicant	Development	Predevelopment Financing
North Dartmouth Properties	North Cove Landing	\$250,000

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;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, the Corporation hereby approves pre-development financing for to North Dartmouth Properties, Inc., or an affiliated partnership (the “Borrower”) in an amount not to exceed \$250,000 (the “Loan”) for family housing to be located in North Kingstown, Rhode Island

Resolved, That, the foregoing Resolution is subject to the following condition:

- Satisfactory security in the form of a property lien on the 7.48 parcel of project land known as North Cove Landing.
- Final approval of pre-development budget.
- Completion of items required for predevelopment loan closing

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 Resolution.

Approval of KeepSpace Consultant Phase II Contract

Mr. Godfrey gave 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 Downtown Westerly. 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. At its September 2008 meeting, the Rhode Island Housing Board of Commissioners authorized Rhode Island Housing to engage the Horsley Witten Group Inc to provide these KeepSpace Community Design consulting services. The first phase of their work was to:

1. Meet with Rhode Island Housing and the KeepSpace Advisory Committee to discuss the goals, approach, milestones and timeline for the first phase of work;
2. Gather information about each of the KeepSpace Communities including conceptual designs, local zoning and land development regulations and other land use constraints;
3. Meet individually with the four development teams, municipal/ state officials and key stakeholders to vet critical issues and develop a series of opportunities and constraints maps that highlight the critical economic, regulatory, physical, social and environmental issues that will drive the early phases of development; and
4. Develop a targeted outreach approach for each KeepSpace Community.

The Horsley Witten Group presented its draft KeepSpace Comprehensive Community Engagement strategy to the KeepSpace Advisory Committee at its January 22, 2009 meeting. The plan was further revised with the input of the Advisory Committee and the four development teams, and a final engagement strategy was presented to the Advisory Committee on March 12, 2009.

The final engagement strategy exemplifies the broad based approach to partner engagement and community design that underlies the KeepSpace philosophy. The consultant team will facilitate working groups in each of the four KeepSpace Communities which will be responsible for guiding the community design process. These working groups will include representatives of key strategic partners from the local, regional and state level. In addition to the range of perspectives provided by the working group members, the group will also be informed by a variety of public engagement strategies including charettes, public meetings and, in one case, a student design competition. The engagement strategies, and the role of the consulting team in implementing them, have been tailored to fit the strengths and needs of the development teams

and the scope of work in each of the four communities. Some communities require significant assistance with the public engagement process, while others need more help with master planning and the development of an action plan.

As anticipated in the first board action, the scope of services to be provided by the consultant team evolves as the needs of each of the four communities are more clearly defined. Phase I of the work, the development of the Comprehensive Community Engagement Strategy, has been completed at a cost of \$22,000. The budget for the second phase of work has been developed based on the results of Phase I. The proposed budget for Phase II, implementation of the Comprehensive Community Engagement Strategy, includes \$150,000 in Comprehensive Community Engagement costs and \$120,000 in Community Design costs for a total Phase II budget of \$270,000. These costs will be incurred over the next twelve months as the consultant team assists our four KeepSpace Communities in implementing their engagement plans and developing their final Community Design. Therefore staff is requesting authorization to contract with Horsley Witten for \$270,000 to implement the proposed engagement strategy.

Nate Kelly of Horsley Witten made a brief PowerPoint presentation to the Board outlining their proposal. A brief discussion followed the presentations with Mr. Godfrey and Ms. Rainone responding to questions from the Board.

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: 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 required a consultant to assist the four designated KeepSpace Communities in developing their Comprehensive Community Designs; and

Whereas: As a work product for Phase I the Horsley Witten Group Inc has developed a Comprehensive Community Engagement Strategy for the four communities; and

Whereas: Phase II, the implementation of the KeepSpace Comprehensive Community Engagement Strategy and development of the four Community Designs, is budgeted at \$270,000.

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 implement the KeepSpace Comprehensive Community Engagement Strategy,

on such terms as the Executive Director or his designee believes are in the best interests of Rhode Island Housing, at a cost of \$270,000.

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 was lengthy and included numerous attachments and briefly commented on several topics of interest.

Mr. Godfrey recognized and thanked Commissioner Barge for her participation in the *BuySmart* Public Service Announcements produced by Rhode Island Housing. Commissioner Barge's time and enthusiasm is greatly appreciated by both staff and board.

As the 2009 fiscal year winds down, Mr. Godfrey noted that Rhode Island Housing is working hard to accumulate the cash to pay the balance of the \$26 million called for by the Rhode Island General Assembly as part of the 2008 supplemental budget last June. Rhode Island Housing will likely have to borrow to fully pay the final installment due June 30.

Mr. Godfrey noted that in this economic climate credit is tight and as the number of traditional equity investors have left the market, the value of tax credits have plummeted. The result is that as many as 1,000 developments containing nearly 150,000 units across the country are on hold. Here in Rhode Island, over 20 developments are unable to move forward for lack of financing. Recent announcements from the Treasury Department and HUD provide much-anticipated guidance on tax credit assistance programs, but it remains to be seen what impact it will have on the summer construction season. Rhode Island Housing is currently accepting applications from project sponsors for participation in the tax credit assistance programs.

HUD began soliciting grant applications for \$2 billion in NSP funding with an announcement issued on May 4, 2009. Funded under the ARRA 2009, this round of NSP funding will award grants to applicants who target their efforts in areas with the greatest extent of abandoned and foreclosed homes. Additionally, HUD will provide up to \$50 million in technical assistance grants to help grantees better manage their neighborhood stabilization programs. This \$2 billion is in addition to the \$4 billion HUD has previously allocated in NSP grants as part of the \$3.92-billion federal program that was part of the Housing Economic and Recovery Act (HERA) to help state and local governments respond to rising foreclosures and falling home values.

Foreclosure activity in Rhode Island for April 2009 showed that statewide the number of legally noticed foreclosures increased again in April to 863 initiations. This increase is partially due to the fact that the Warren Group has expanded its data collection of foreclosure initiations beyond those listed in the *Providence Journal* to include those notices from publications serving other municipalities. However, even without the expanded data, the number of initiations remains higher than any previous month. Foreclosure initiations in Providence account for 32.7% of all initiations in Rhode Island. The number of multi-family homes noticed for foreclosure remains high, at just over half (56%) of the total number of foreclosures in the

capital city. In March 2009, this number accounted for just under half (45.7%) of the foreclosure initiations in Providence. In these instances, each foreclosure initiation threatens multiple households living within the same building.

Mr. Godfrey announced that the BuySmart campaign is driving an increasing number of potential homebuyers to Rhode Island Housing. These potential homebuyers are seeking information regarding their ability to qualify for a mortgage. Armed with information regarding Rhode Island Housing's mortgage programs, the first-time homebuyer \$8,000 federal tax credit, and a mortgage pre-approval, more than 275 Rhode Islander Housing Loan Center customers are hunting for homes to purchase. As the inventory of foreclosed properties increases and more cash buyers enter the market, many first-time homebuyers are finding that the purchasing process is much longer than anticipated and longer than the traditional time frame.

In April Rhode Island Housing released an Issue Brief on Foreclosures and Tenants, detailing the next phase of the housing crisis in Rhode Island: its impact on tenants of foreclosed properties. It is estimated that for every homeowner that loses his home to foreclosure, an average of four to five families living in multi-family properties lose their home when the property is foreclosed upon. The situation is exacerbated by the fact that in Rhode Island, the gap between what people earn and the high cost of rents is second only to Hawaii. Rhode Islanders displaced due to foreclosure are finding it increasingly more difficult to find homes they can afford. The statistics are sobering – in 2008, almost 2,800 rental homes were lost to foreclosure in Providence alone.

There being no further business to discuss, a motion was duly made by Commissioner Caprio and seconded by Commissioner Barge to adjourn the open meeting at approximately at 9:31 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director