

**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, August 27, 2009 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Mark Noble; 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; Thomas F. Hogg, Chief Financial Officer; Susan Bodington, Deputy Director; 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 Noble called the meeting to order at approximately 8:30 a.m.

Approval of Minutes of Board Meeting Held on June 25, 2009

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

VOTED: That the Minutes of the Board Meeting held on June 25, 2009 hereby are approved.

Chairman's Report

Chairman Noble thanked Richard Godfrey, Rhode Island staff and board members for his introduction to Rhode Island Housing's procedures and also expressed his gratitude to Governor Carcieri for appointing him as Chair of Rhode Island Housing. Mr. Noble stated that he is excited about the opportunity to chair the board and expressed his aspirations that his banking experience would make a difference to Rhode Islanders.

Committee Reports

Chairman Noble noted that a Legal subcommittee was held on August 5, 2009 and a Human Resources and Budget Committee meetings were held on August 12, 2009. Copies of the minutes of the Legal and Budget and Human Resources Committees were provided in the board package. The recommendations from the Legal sub-committee meeting would be considered as part of item 10 of the agenda, Approval of Engagement of Outside Legal Counsel and the recommendations of the Budget and Human Resources sub-committee would be considered as part of item 12 Approval of Fiscal Year 2010 Budget.

Executive Director's Report

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

Approval of Reclassification of Voucher Related Administrative Fee Reserve

Upon a motion made by Commissioner Caprio and seconded by Commissioner Monteiro, the Board unanimously adopted a motion to convene a meeting of the Section 8 Committee of the Board of Commissioners to consider approval of the Reclassification of the Voucher Related Administrative Fee Reserve. The Section 8 Committee Meeting was convened at 8:40 am.

Chairman Noble introduced and welcomed Allison Nugent, a resident participant of the certificate and voucher program administered by Rhode Island Housing in its role as a Public Housing Authority as the Resident Member of the Section 8 Committee.

Mr. Godfrey presented this request.

The Housing Choice Voucher Program (the "HCVP") is a tenant-based rental assistance program funded by HUD. HUD outsources the administration of the program to local public housing authorities ("PHA"), which in turn are responsible for implementing the program in their localities. Since not every community in the State has an active public housing authority, Rhode Island Housing acts as a PHA and has administered HCVP in those communities on behalf of HUD.

HUD pays HFAs an administrative fee for their services based on the number of units rented. HFAs must deposit administrative fees in excess of their costs in an excess administrative fee reserve (the "Reserve").

Until 2004, HFAs were permitted to use any fees in the Reserve were allowed for other housing purposes permitted by state and local law. Regulations allowing the use of excess fees for such purposes require the housing authority's Board of Commissioners to authorize the application of Reserves to that other purpose.

Rhode Island Housing has approximately \$1 million of such pre-2004 excess fees in its Reserve. It would be appropriate to apply these fees to another housing purpose similar to HCVP. Rhode Island Housing administers and funds a similar program for the State, modeled after the

Section 8 program. Rental subsidies within this State program paid by Rhode Island Housing over the same period of time exceeded \$12 million.

Applying funds in the Reserve to the State program is the accounting equivalent of a reclassification of prior period reserves. It does not affect prior period income or expense. Though delayed, this reclassification is appropriate because HUD has undertaken a comprehensive review of current and historical funding of the HCVP. This action will assign a programmatic use for the Reserve. Funds in the Reserve attributable to periods starting in 2004 and thereafter will remain in the Reserve, subject to applicable HUD regulations

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

**Resolution of the Section 8 Committee of the
Board of Commissioners
of Rhode Island Housing and Mortgage Finance Corporation**

Whereas, Rhode Island Housing administers the federal Housing Choice Voucher Program (the “HCVP”) in those communities of the state that do not have an active local public housing authority; and

Whereas, the United States Department of Housing and Urban Development (“HUD”) pays Rhode Island Housing a fee for administration of the HCVP (the “Fee”); and

Whereas, The portion of the fee that exceeds actual expenses is deposited into an administrative fee reserve account (the “Reserve”); and

Whereas, Under applicable HUD regulations, any amounts in the Reserve attributable to Fees earned prior to 2004 may be used for other housing purposes; and

Whereas, Rhode Island Housing administers the State Rental Assistance Program (“SRAP”), which provides project-based rental assistance on behalf of low and moderate income tenants; and

Whereas, Under applicable HUD regulations, SRAP is a type of “other housing purpose” for which pre-2004 Reserves may be expended.

Now therefore it is hereby:

Resolved: That all funds in the Reserve attributable to pre-2004 Fees under HCVP be reclassified to offset an equal amount of S-RAP expenses.

Upon a motion by Commissioner Marques and seconded by Commissioner Flynn, the Section 8 Committee adjourned at 8:45 a.m. and Chairman Noble reconvened the full Board in open session.

Chairman Noble thanked Allison Nugent for her attendance and participation in the meeting.

Revised Reservation of Tax Credits for North Cove Apartments

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is for a revised reservation of \$734,520 in Housing Tax Credits (HTCs) for North Cove Landing (“the Development”), a thirty-eight unit new construction family rental development in North Kingstown, RI. The developer is North Dartmouth Properties, Inc. (the “Developer”). The original reservation was for credits from the 2009 pool; the revised reservation authorizes credits from the 2009 or 2010 pool.

North Cove Landing received its original reservation of HTCs, along with preliminary approval of financing, at the March 5, 2009 board meeting under Rhode Island Housing’s most recent funding round. The project is proceeding towards meeting the benchmarks laid out in the original board action.

Another project that had previously applied for HTC in the last funding round but was not awarded credits because, among other things, it did not have an investor in place, has since secured a tax credit commitment from the National Equity Fund. Revising North Cove Landing’s reservation from 2009 credits to 2009 or 2010 credits will provide Rhode Island Housing staff maximum flexibility in closing projects as they are ready to proceed.

Other than the authorization of HTCs from either the 2009 or 2010 pools, all other material elements of the project and financing are unchanged from the original approval. The primary sources of financing for the North Cove Landing transaction will remain a taxable mortgage from Rhode Island Housing, equity from the sale of 9% tax credits, Building Homes Rhode Island funds, Rhode Island Housing HOME funds, and Targeted Loan funds. The Developer also maintains its request for a bridge loan from Rhode Island Housing to fund construction costs. Once North Cove’s syndication commitment has been received, the final bridge loan amount can be determined. The bridge loan will be repaid at construction completion with syndication proceeds.

The Request for Action is for a change from the original reservation of 2009 Housing Tax Credits to a reservation of 2009 or 2010 Housing Tax Credits. The Preliminary Commitment of a first mortgage in the amount of \$812,100 and a Targeted Loan of \$842,800 will remain in place.

Upon a motion made by Commissioner Barge and seconded by Commissioner Clough 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 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 (the "Corporation") has been designated the Administrator of the Program in the State of Rhode Island; and

Whereas, Staff for Rhode Island Housing 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 earlier received a reservation of tax credits from the tax credit authority available in the calendar year 2009; and;

Whereas, Rhode Island Housing staff has determined that by changing North Cove Landing's reservation from 2009 credits to either 2009 or 2010 credits will provide an opportunity to fund other projects and will provide maximum flexibility in closing projects as they are ready to proceed;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That the \$734,520 of allocated 2009 housing tax credits previously reserved for the Applicant pursuant to Section 3 of the Rules and Regulations of Rhode Island Housing applicable to the Allocation of Housing Tax Credits (the "Rules and Regulations of the Corporation") be changed to \$732,520 of allocated 2009 or 2010 housing tax credits, and that the Executive Director, either Deputy Director and the Director of Housing 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, the previously granted preliminary approvals for First Mortgage and Targeted Loan remain in place.

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

- Approval by Rhode Island Housing of all members of the development team.
- Acceptable final appraisal by an independent appraiser demonstrating that the North Cove first mortgage does not exceed 90% of the as-stabilized value of the property.
- Rhode Island DEM and CRMC approval of the project.

- Completion of the HUD 8-step process for alteration within a 100 year flood plain.
- A commitment of syndication equity from the sale of housing tax credits in an amount sufficient to insure the development's feasibility by October 1, 2009.
- The award of Building Homes Rhode Island and HOME funds in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to Rhode Island Housing
- Approval by Rhode Island Housing of construction plans and specifications and construction documentation.
- Approval of proposed operating budget for the development.
- FHA Risk-Sharing approval for 50% of the First Mortgage.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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.

Reservation of 2009 Low income Housing Tax Credits for Blackstone Valley Gateway

Mr. Godfrey briefed the Board on this request.

This Request for Action is for the reservation of up to \$881,974 in 2009 9% tax credits for the Blackstone Valley Gateway development (the "Development") in Pawtucket. The sponsor is Pawtucket Citizens Development Corporation ("PCDC").

PCDC submitted an application for 2009 Low Income Housing Tax Credits ("HTC") in October 2008 as part of the annual Request for Proposals. The application was not funded, primarily because the Development did not have a commitment for syndication and the large amount of commercial space programmed for Dexter Street and Broad Street was still in the planning stages. Since the filing of the tax credit application, PCDC has finalized its plan for the commercial portions of the Development and have received a Letter of Intent for syndication from National Equity Fund ("NEF") which has identified a buyer for the tax credits. The syndication letter is based on the receipt of 2009 HTC and a year end closing.

PCDC's proposed development is part of their Pawtucket/Central Falls KeepSpace Initiative. This Development will provide 33 affordable apartments and 3,453 square feet of community and service space. Four existing buildings will be renovated to create 13 apartments. Three new buildings will be constructed to create 20 new apartments and the community/service space. Upon completion, there will be 4 one-bedroom units, 18 two-bedroom units and 11 three-bedroom units. All 33 apartments will be leased to families earning at or below 50% AMI and eight units will be leased to tenants with income at or below 40% AMI with operating assistance provided through the Neighborhood Opportunity Program ("NOP").

The current development plan proposes more community space and less commercial space than originally proposed. Recent changes to the HTC statute allow for a larger percentage of community space to be included in the tax credit eligible basis, encouraging PCDC to expand these uses in the Development. At the same time, PCDC decided to reduce the amount of commercial space since the current credit crunch has made it difficult to secure commercial financing. With the reduction of commercial space and the increase in community and service space the Development is financially feasible without the need for a commercial loan.

In the revised plan two buildings will have community and service uses on the ground level. ACCESS-RI a statewide service provider will lease space at 185 Dexter Street and will provide services to residents of the Development. ACCESS-RI is a statewide program of the Mental Health Association of Rhode Island designed to serve people experiencing chronic homelessness who have a diagnosis of mental illness and/or substance abuse. In addition, PCDC will relocate their offices to 204 Broad Street which will increase their visibility within the community allowing them to better serve area residents with a presence along this main thoroughfare of Pawtucket. PCDC will pay only a nominal rent helping to reduce their operating expenses and increase their financial stability.

This proposal includes many elements identified as priorities within the state's Qualified Allocation Plan. This project will bridge previous achievements of PCDC in the area with the larger KeepSpace proposal envisioned to improve connectivity within the neighborhood and serve as a future gateway to Blackstone Valley. The development includes the historic re-use of one property on Nickerson Street. It provides affordable housing in an area of Pawtucket where need remains great. The proposal leverages some commercial income from the Dexter Street property. Finally, the Development has significant support from the city of Pawtucket.

The total development cost for this project is \$10,020,133. Proposed sources of funding include: (i) a Rhode Island Housing first mortgage, (ii) a Rhode Island Housing Targeted Loan, (iii) HOME funds from both the City of Pawtucket and Rhode Island Housing (iv) the sale of Housing Tax Credits and Federal Historic Tax Credits, (v) Building Homes Rhode Island funds (vi) Special Needs Rental Program (SNRP) funds (vii) Rhode Island Housing Lead funds, and (viii) Neighborhood Stabilization Program (NSP) funds.

Based on significant progress made by the Developer on this project during the past year and the receipt of a Letter of Intent for syndication from NEF, staff recommends a reservation of \$881,974 in 2009 9% Housing Tax Credits and preliminary commitment of a first mortgage and Targeted Loan financing.

Nancy Whit from PDC was present and available to respond to questions from the Commissioners.

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, The Housing Tax Credit Program (the "Program") was created as part of the Tax Reform Act of 1986 (the "Act"); and

Whereas, Rhode Island Housing has been designated the Administrator of the Program in the State of Rhode Island; and

Whereas, Staff for Rhode Island Housing 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, 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 the reservation of tax credits from the tax credit authority available in the calendar year 2009 ("the Tax Credit") as follows:

Development	Applicant	9% Tax Credits	First Mortgage	Targeted Loan
Blackstone Valley Gateway	Pawtucket Citizens Development Corporation	\$881,974	\$150,000	\$730,600

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 enabling legislation, regulations, guidelines and policies;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That \$881,974 of allocated 2009 tax credits be reserved for the Applicant pursuant to Section 3 of the Rules and Regulations of the Corporation applicable to the Allocation of Low-Income Housing Tax Credits (the "Rules and Regulations of the Corporation"), and that the Executive Director, either Deputy Director, or 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, the Rhode Island Housing hereby preliminarily approves financing for a taxable first mortgage loan to PCDC or an affiliated partnership (the “Borrower”) in an amount not to exceed \$150,000 (the “Loan”) for family housing located in Pawtucket, Rhode Island.

Resolved: That the Rhode Island Housing hereby preliminarily approves up to \$730,600 of Targeted Loan Funds for the Borrower;

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

1. The award of Rhode Island Housing HOME, Pawtucket HOME, NOP, and Neighborhood Stabilization Program funds sufficient to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing;
2. The award of Building Homes Rhode Island, Special Needs Rental Production, and Lead Funds sufficient to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing,
3. Syndication equity from the sale of HTCs and federal historic tax credits in amounts sufficient to achieve project feasibility;
4. Final approval of plans and specifications by Rhode Island Housing and final agreement with General Contractor on construction cost;
5. Acceptable final appraisal and market study by an 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;
6. Approval by Rhode Island Housing of all management related issues;
7. Satisfactory and timely performance in accordance with the schedule established by the sponsor and approved by Rhode Island Housing;
8. Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements and the requirements established for previous phases.

Resolved: That the Executive Director, either 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.

Approval of Bridge Loan for Mercantile Building

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for commitment of a \$1,100,000 short-term bridge loan to AS220 to facilitate the acquisition and rehabilitation of the Mercantile Building located in the Downcity area of Providence. The bridge financing will be repaid with the proceeds of development fees to be paid to AS220 upon closing certain New Markets Tax Credit Loans to AS220’s affiliate, Mercantile Block, LLC (“Project Owner”). The developer is AS220 who is performing development services for the Project Owner

The Mercantile Building, located on Washington Street, will create 22 residences on the upper two floors, 16 of which will be affordable. Of these 16 apartments, three (3) will be studios leased to young artists involved in AS220's youth outreach program, known as the Broad Street Studio. These are young adults who are aging out of DCYF care. The remaining 13 affordable residences will be exceptionally large studio apartments offering the possibility of shared space (roommate, a couple or a small family) or a live/work configuration. The first floor will be commercial. Two existing tenants, Clark Locksmith and Wheels Bar will remain. AS220 has pre-leasing agreements with the Rhode Island Council on the Humanities, AS220 Fab Lab and AS220 Print Shop. College Visions, an innovative college access program and Armageddon, an established record store are also potential commercial tenants.

The objective of "AS220 at the Mercantile" is to increase the supply and type of affordable housing in Downtown Providence suitable for artists. AS220 is currently the only developer providing affordable housing in Downtown Providence. The adaptive re-use of the Mercantile Block will enable AS220 to increase the opportunities available to artists wishing to live and work downtown. This initiative builds on AS220's two existing downtown housing developments, resulting in a "ladder" of housing options. Their 1993 conversion of 95-121 Empire Street into a permanent home for the arts created 12 artists' communal (shared kitchen and bathrooms) studios. In 2007, their historic restoration of the former Dreyfus Hotel brought on line 14 studio apartments, each containing their own kitchen and bathroom. Eleven of these units are affordable.

The tax credit investment structure for the Mercantile includes a Leveraged Investment Fund, which is a structure that increases proceeds from the NMTC. AS220 is permitted to generate NMTC equity on its developer fee for the project if it loans its development fee to the Leveraged Investment Fund. Because the development fee will not be paid until closing of the NMTC financing and the historic tax credit investment, AS220 requires a bridge loan to permit it to make the necessary loan to the Leverage Fund. The proposed bridge loan to AS220 will in turn be loaned by AS220 to the Leverage Investment Fund as part of the Subordinate Leverage Loan component of the permanent financing final closing. The funds will flow through the Leveraged Investment Fund structure, and at final closing, AS220's development fee will be paid with the proceeds of the New Markets Tax Credit Loans. AS220 will then repay the bridge loan with interest. We expect that the loan will be outstanding for 1 to 2 weeks, the amount of time it takes for the funds to clear all of the bank accounts. Utilizing this structure generates approximately \$350,000 in NMTC proceeds for the project.

The bridge loan will be for a maximum term of 1 month and will be repaid with proceeds from the New Markets Tax Credit Loans and/or historic credit equity invested in the Project Owner. The developer has secured a commitment to purchase the NMTC and federal historic tax credits from the National Trust Community Investment Fund ("NTCIF"). Blue Cross Blue Shield of Rhode Island is purchasing the state historic credits. The loan will be secured by a pledge of AS220's developer fee. Rhode Island Housing will earn a 1% origination fee.

Lucille Searle from AS220 was introduced and thanked the board and staff.

Upon a motion made by Commissioner Monteiro and seconded by Commissioner Marques 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 the Corporation 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, AS220 (the “Applicant”) has applied to the Rhode Island Housing and requested a bridge loan in the amount of up to \$1,100,000 pending receipt of its development fee to permit it to make a loan to a Leveraged Investment Fund, the proceeds of which, together with other sources, will fund New Markets Tax Credit loans to Applicant’s affiliate, Mercantile Block LLC for the Mercantile Building in Providence, Rhode Island (the “Development”); and

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

NOW, THEREFORE, IT IS HEREBY:

Resolved: That Rhode Island Housing is authorized to provide a bridge loan to AS220 or an affiliated entity (the “Borrower”) in an amount not to exceed \$1,100,000 to fund necessary expenses associated with the Development. The Borrower will loan the proceeds of the Bridge Loan to the Leveraged Investment Fund described above, the proceeds of which will ultimately fund project development expenses for the Development. The Bridge Loan will be repaid from the development fee to be paid to Borrower from the proceeds of New Markets Tax Credit and Historic Tax Credit Equity and Loans upon the closing of such financing sources.

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

- Completion of all items required by Rhode Island Housing for closing in accordance with normal underwriting and processing requirements.
- Provision of a pledge of developer’s fee, with such terms and conditions as are acceptable to Rhode Island Housing in its sole determination, in an amount determined to be sufficient to repay the bridge loan.
- Satisfactory and timely performance in accordance with the schedule established by Rhode Island Housing staff and sponsor.

Resolved: That the Executive Director, any Deputy Director, and the Director of Development 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.

Approval of Award of Special Needs Rental Program Funds for Trinity/Princeton Place

Susan Bodington, Deputy Director, and Carol Ventura, Director of Development, 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 proposals since SWAP's Executive Director is Mr. Godfrey's wife. Commissioner Barge represented the board during the review of the proposals.

This Request for Action is for approval of \$100,000 in Special Needs Rental Production Program (the "Program") funds to SWAP, Inc. for two units of permanent supportive housing within their Trinity Place development in Providence.

Rhode Island Housing established the Program to provide resources for the production of rental housing for homeless, disabled and/or very low-income individuals and families. Under the Program, Rhode Island Housing provides amortizing and deferred loans to developers for the acquisition and development of housing with supportive services for special needs populations. In fiscal years 2007 and 2008 the Board authorized a \$4 million budget. To date, the Board of Commissioners approved funding totaling \$3,757,329 for projects with a combined total of 105 permanent supportive rental units for homeless, disabled and very low-income households.

Applications are accepted on a rolling basis and are reviewed by a committee comprised of Development and Policy staff. SWAP submitted an application for funding, which was reviewed by the committee and is recommended for funding.

The applicant intends to construct 28 new housing units and rehabilitate and preserve 13 existing low-income rental units in Providence. All units are restricted to households with incomes not exceeding 60% of area median income. Amos House, a social service provider, will refer graduates of their transitional housing program to SWAP and provide case management, recovery support, independent living support and employment assistance to the two households.

The attached resolution authorizing the allocation of \$100,000 of Special Needs Rental Production Program funds as a cash flow loan is recommended for approval.

Marilyn Carlson, representing SWAP, was introduced and thanked the board and staff for their consideration.

Upon a motion made by Commissioner Clough 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 has established the Special Needs Rental Production Program to create supportive rental housing for disabled, homeless and/or very low-income individuals and households, and;

WHEREAS: SWAP, Inc. has submitted an application that meets the requirements of the Special Needs Rental Production Program and;

WHEREAS: Rhode Island Housing staff has reviewed the application and recommends that Special Needs Rental Production Program funds be committed to the proposal;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing commits \$100,000 in Special Needs Rental Production funds, payable annually from excess cash flow, in accordance with the program description as approved by the Board of Commissioners of Rhode Island Housing to SWAP, Inc. for two units of permanent supportive housing within the Trinity Place development.

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 Engagement of Outside Legal Counsel

Chairman Noble announced that he would not participate in the discussion, consideration or vote on this matter due to his professional relationship with some of the firms under consideration.

Commissioner Barge, as acting chair of the legal subcommittee, made this presentation.

In April, Rhode Island Housing issued a Request for Proposals from law firms interested in providing some or all of the following legal services to Rhode Island Housing for FY 2010 and 2011:

- General Counsel/Issuers Counsel
- Litigation Counsel
- Multi-Family Loan Closing Counsel
- Single Family Loan Closing Counsel
- Foreclosure and Bankruptcy Counsel
- State Housing Appeals Board Counsel
- NSP/Land Bank Counsel

Notice of the RFP was posted on the web site maintained by the Division of Purchasing of the Department of Administration and was published in the Providence Journal. In addition, notice of the RFP was provided to approximately 150 attorneys and law firms that had previously expressed an interest in providing legal services to Rhode Island Housing. 51 firms submitted proposals in response to the RFP, several of which offered to provide services for more than one of the above substantive areas.

The legal subcommittee met on August 5, 2009 to review staff comments and interview certain candidates for general counsel/issuers counsel. Attachment A sets forth the selection process adopted by the legal subcommittee and contains the recommendations of the subcommittee regarding engagement of outside counsel.

The legal subcommittee authorized staff to negotiate with each of these firms around the fees to be charged and the services to be provided in order to best serve the interests of Rhode Island Housing. The subcommittee further recommended that these engagements be for a one-year period, renewable for a second year.

Upon a motion made by Commissioner Clough and seconded by Commissioner Caprio the following resolution was unanimously adopted by the voting members. Chairman Noble 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**

Resolved: That the law firm of Brown Rudnick Berlack Israel be engaged as General Counsel/Issuer Counsel to Rhode Island Housing for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by the firm, and subject to such changes as the Executive Director may require with regard to the fees charged by the firm for such services.

Resolved: That the law firms of LaPlante Sowa Goldman; Law Offices of Glenn J. Andreoni; Law Offices of Nancy Davis; Law Offices of Madonna and Connors; Lenders Title Services, Inc.; McGunagle & Reidy; Michael Fitzpatrick, Esq.; Miller, Scott & Holbrook; Pilgrim Title Insurance Company; Sleprow, Sleprow & Associates; Brien & Brien, LLP; George M. Landes, Esq.; Law Offices of Ronald Markoff; Law Offices of Mary Ann Lubic Moran; Multi-State Title Company, LLC; and Stephen Miller and Associates, be engaged as single family loan closing counsel to Rhode Island Housing for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by such firms, and subject to such changes as the Executive Director may require with regard to the fees charged by these firms for such services.

Resolved: That the law firms of Winograd, Shine & Zacks; Nixon Peabody LLP, Oliverio & Marcoccio and Orson & Brusini be engaged as litigation counsel to Rhode Island Housing for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by such firms, and subject to such changes as

the Executive Director may require with regard to the fees charged by these firms for such services.

Resolved: That the law firms of Partridge, Snow and Hahn; Roberts, Carroll, Feldstein & Peirce; Kiernan, Plunkett and Redihan; and Shectman Halperin & Savage be engaged as foreclosure/bankruptcy counsel to Rhode Island Housing for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by such firms, and subject to such changes as the Executive Director may require with regard to the fees charged by these firms for such services.

Resolved: That the law firm of Brown Rudnick Berlack Israel be engaged as multi-family loan closing counsel for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by the firm, and subject to such changes as the Executive Director may require with regard to the fees charged by the firm for such services.

Resolved: That the law firm of Nixon Peabody be engaged as State Housing Appeals Board counsel for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by the firm, and subject to such changes as the Executive Director may require with regard to the fees charged by the firm for such services.

Resolved: That the law firms of McGunagle & Reidy and Roberts, Carroll, Feldstein & Peirce be engaged as NSP/Land Bank counsel for a term of one year, renewable for a second year, pursuant to the terms of the proposal as submitted by the firm, and subject to such changes as the Executive Director may require with regard to the fees charged by the firm for such services.

Resolved: That the Executive Director, or his designee, be and hereby is authorized to take any and all actions, including specifically the authority to negotiate terms of the engagements that will standardize fees between firms for similar services and such other terms as he may determine are in the best interests of Rhode Island Housing and to execute any and all agreements and to take such further actions as he deems necessary to carry out the above resolutions.

Approval of Engagement of Property Management Firms

Mr. Godfrey presented this request.

Rhode Island Housing and the State Office of Housing and Community Development are jointly responsible for administering \$19,600,000 in Neighborhood Stabilization Program (NSP) funding to assist in the revitalization of neighborhoods through the acquisition and redevelopment of foreclosed properties in targeted communities throughout the State. The Housing and Economic Recovery Act of 2008 established the NSP Program and appropriated \$3.92 billion in funding nationwide to assist in the recovery from the foreclosure crisis.

The Rhode Island Housing Development Corporation (RIHDC) has served as the land banking entity for the NSP Program. Since January, 2009, RIHDC has acquired 38 properties on behalf of community development corporations, representing 105 housing units. Fifteen additional properties representing 33 proposed units are under purchase contract and will be acquired in the next quarter.

Property management services are required to maintain these properties after acquisition while developers are creating their rehabilitation plans and securing other sources of funding to carry out the development. Property management services are an allowable NSP delivery cost and will be paid for through NSP funding. In July, Rhode Island Housing issued a Request for Proposals (RFP) to Rhode Island property management firms to assist in maintenance and management of the NSP Land Bank properties, the Rhode Island Housing Land Bank properties and Rhode Island Housing's REO portfolio as needed.

Six (6) property management and property preservation firms from Rhode Island and Massachusetts responded to the RFP. Of the six, four are recommended by staff:

Fontaine Inspections of Pawtucket, RI
Asset Disposition Management, Inc., of Malden, MA
R.M. Paolino of Providence, RI
A-Call Property Management of Providence, RI

Staff recommends approval of the attached resolution authorizing the award of Property Management Service contracts to the four eligible firms at a fixed fee structure.

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

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

RESOLVED: That Rhode Island Housing and the Rhode Island Housing Development Corporation be, and are hereby is authorized, to enter into contracts for property management services with Fontaine Inspections of Pawtucket, RI; Asset Disposition Management, Inc., of Malden, MA; R.M. Paolino of Providence, RI and A-Call Property Management of Providence, RI.

RESOLVED: That the Executive Director, 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.

Committee Reports

Commissioner Marques, chair of the Budget Committee, presented this report, with additional information provided by Mr. Hogg. A summary of the proposed budget was previously provided to the Commissioners.

The fiscal year 2010 Budget was reviewed by the Budget Committee of the Board on August 13, 2009. 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.

Additional commentary on the budget is included in the Budget Committee minutes, but of particular note are the effects of a very difficult environment in the bond markets, significant price depreciation in the housing sector, a weaker national and local economy and significant level of unemployment in the State. Counterbalances on the positive side are several federal initiatives that have provided support in areas like expanded homeowner counseling and tax credit syndication where traditional financing assistance has all but evaporated.

Of note within the Budget are the following efforts: (1) application of recently enacted federal legislation intended to address areas of 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) conversion of our single family lending platform from private to government sector (FHA) insurance, (5) continued funding for our corporate communications and marketing efforts, and (6) upgrading of our website's content and usability.

Next, Chairman Noble presented the HR Committee Report. A copy of the minutes of the HR Committee had been previously provided to the Commissioners.

The HR Committee met on August 13, 2009 to consider a budget recommendation for salaries for FY 2010. The Committee reviewed salary adjustments, step increases and longevity compensation applicable to state employees, as well as compensation plans of nearby state housing finance agencies. Based on this information, the Committee approved (i) a 2.0% increase in Rhode Island Housing salary ranges, and (ii) an increase to the personnel line item of the budget sufficient to support an average merit increase of 3.0% plus selected adjustments necessary due to the salary range shift, effective January 1, 2010. In addition, the Committee recommended that proposed increases to the Executive Director's compensation, which had previously been approved by the HR Committee in February 2009 but not yet brought to the full Board for consideration, be approved as well.

Chairman Noble along with Commissioner Marques commended staff on the excellent quality consistency of work and dedication to detail on drafting the budget.

A general discussion followed the presentations where questions arose that had been discussed in the budget and human resources sub-committee meetings. Commissioners Marques, Barge and Monteiro stressed that during both the Budget and Human resources sub-committee

meetings, all those questions were dissected and scrutinized. Commissioner Marques also noted that all Board members were invited and encouraged to participate in the committee meetings.

Commissioner Flynn noted that in light of the State's budget deficit and the cutbacks that state employees face, Rhode Island Housing should keep these realities in mind and distribute merit increases with prudence and sensitivity.

Commissioner Marques stated that Rhode Island Housing had already shared in addressing the State's deficit by having to transfer \$26 million dollars to the treasury for fiscal year ended 2008 and is still feeling the affects of the loss of that revenue.

Commissioner Clough expressed that 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 provided the requested the reports.

Following the period of general discussion, the following motions were considered.

Upon a motion made by Commissioner Monteiro and seconded by Commissioner Marques the following resolution was approved on a 6 to 1 vote with Commissioner Caprio voting in the negative:

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

Resolved: That the proposed fiscal year 2010 Budget of Rhode Island Housing as set forth in Attachment B and attached as part of the August 27, 2009 board package is hereby approved.

Upon a motion made by Commissioner Barge and seconded by Commissioner Marques the following resolution was approved on a 6 to 1 vote with Commissioner Caprio voting in the negative:

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

Resolved: That the Executive Director's salary for the period January 1, 2009 be \$169,000, representing an increase of approximately 3.6% from the annualized salary immediately preceding.

Resolved; That the Executive Director be granted a wellness initiative payment in the same amount and in the same form that was provided to Rhode Island Housing staff in calendar year 2008.

Executive Director's Report

Mr. Godfrey briefly commented on several items mentioned in the written Executive Director's report which was previously distributed to the Commissioners.

Mr. Godfrey reported that foreclosure activity in Rhode Island for May and June 2009, showed that statewide the number of legally noticed foreclosures increased again in May to 830 initiations and 1,021 initiations in June, totaling 1,851 for this two-month period. Cities in Rhode Island's urban core accounted for 79% of initiations for this period. The number of foreclosure initiations in the state remains very high throughout the months of May and June 2009. Estimates indicate that approximately 5,600 foreclosures were initiated with the state through the second quarter of 2009.

The majority of properties noticed for foreclosure are single-family homes, although the number of multi-family homes remains high. This is troublesome as for every multi-family property that is foreclosed upon, up to three families face eviction, at a time when rentals and other housing opportunities are scarce. In these instances, each foreclosure initiation threatens multiple households living within the same building.

Rhode Island Housing continues to serve homeowners seeking assistance through our HelpCenter. Staff has continued outreach efforts to ensure that Rhode Islanders in need contact us at the first signs of trouble and seek our free counseling services or those of other HUD-approved housing counselors. Since opening the doors to the Housing HelpCenter in November 2007, 5,108 Rhode Island homeowners seeking assistance have contacted the HelpCenter.

Mr. Godfrey announced that the Tax Credit Exchange Program (TCAP) and Tax Credit Assistance Program (TCAP), totaling over \$45 million, will create 610 homes and nearly 1,000 jobs for Rhode Islanders. By leveraging these funds to reinstate stalled developments, these programs will result in a nearly \$300 million investment in communities throughout the state. Part of the American Recovery and Reinvestment Act (ARRA) stimulus funding, these programs will help close the financing gap that has prevented numerous developments from moving forward, while also creating much needed jobs in construction related fields.

Through TCEP, Housing Finance Agencies (HFAs), like Rhode Island Housing, are allowed to exchange unused tax credits for cash from the federal government. It is expected that the program will temporarily fill the gap left by diminished investor demand for Low Income Housing Tax Credits (LIHTC). In addition, through TCAP, HUD will be awarding \$2.25 billion in grants to HFAs and other state allocating agencies throughout the country, including more than \$10 million to Rhode Island Housing, to complete construction of qualified home developments.

Mr. Godfrey stated that Rhode Island Housing's financial statements for 2009 will soon be finalized as per the state's requirement by September 30, 2009. The financials will project a small positive balance of income over expenses. The 2010 budget also projects a very small surplus. While positive results are better than losses; Rhode Island Housing cannot remain viable at this, break-even level for many years. To remain viable over the long term senior staff must find ways

to increase earnings or the Agency will have to cut back. Economic projections are that the national economy will start to improve. However in Rhode Island, unemployment continues to increase and foreclosure numbers continue to swell. The markets for rental housing tax credits and mortgage revenue bonds are beginning to look a little better, but are not yet functioning at a level that allows us to use these tools in a financially viable manner. Each loan that Rhode Island Housing makes in this financial environment requires additional program subsidies from Rhode Island Housing instead of gaining funds to use for operations or programs. Mr. Godfrey did note that even in this tough economy, Rhode Island Housing is continuing to help Rhode Islanders.

There being no further business to discuss, a motion was duly made by Commissioner Marques and seconded by Commissioner Caprio to adjourn the open meeting at approximately at 10:00 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director