

**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, April 15, 2010 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; Michael Solomon, designee for General Treasurer Frank T. Caprio; Steve Cayouette, designee for Michael Marques, Director of Department of Business Regulation; Kevin Flynn, designee for Rosemary Booth Gallogly, Director of Department of Administration; Jose Monteiro and Perry Clough.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; Tom Hogg, Deputy Director; John Gordon, Director of Asset Management; Amy Rainone, Director of Policy; Cathleen Paniccia, Director of Homeownership and Administration Leslie McKnight, Director of Servicing, and Michael V. Milito, Corporation Counsel.

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 March 18, 2010**

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

VOTED: That the Minutes of the Board Meeting held on March 18, 2010 hereby are approved.

**Chairman's Report**

There was no report from the Chairman.

**Committee Reports**

Chairman Noble noted that an Audit Committee meeting was scheduled to be held on this date immediately following the board meeting.

## **Executive Director's Report**

Mr. Godfrey referred the Commissioners to his report, which had been previously distributed and briefly commented on a few topics of interest.

Mr. Godfrey announced that the third and final hearing of the Legislative Oversight Committee (formerly the "Separation of Powers Committee") on Rhode Island Housing took place last month and the committee released its final report on Wednesday afternoon. Mr. Godfrey distributed a copy of those findings to the Commissioners. There were no substantive findings and although the Committee requested that Rhode Island Housing consider modifications to certain personnel policies. Those recommendations will be addressed during Rhode Island Housing's annual fiscal budget committee meetings.

On March 29<sup>th</sup> the U.S. Treasury announced that Rhode Island will receive \$43 million in foreclosure relief funds through the recently established Hardest-Hit Fund. The first round of the HFA Hardest-Hit Fund targeted five states with home price declines greater than 20 percent, the second round includes \$600 million in assistance, and targets five additional states with high concentrations of people living in economically distressed areas, defined as counties in which the unemployment rate exceeded 12 percent in 2009. The five states that will receive allocations based on this criterion are: North Carolina, Ohio, Oregon, Rhode Island, and South Carolina.

The Treasury has just released program guidelines and Rhode Island Housing has until June 1, 2010 to submit a plan. Staff is working with the community to establish priorities for assistance, establishing a Working Group that includes numerous community and lending partners. Mr. Godfrey informed the Commissioners that the first meeting with partners is scheduled for April 20, 2010 with subsequent meeting dates to be determined. Updates will be provided as additional information becomes available.

Mr. Godfrey discussed the historic flooding that Rhode Island experienced. Staff has been working closely with organizations throughout the state to determine the best means to assist those in need. Staff have gone out and performed interior inspections on all REO properties, assessing the flood damage, and providing cost estimates for repair. Additionally, they have checked in with development partners to assess any damage at developments throughout the state. To date, there are several developments that have been severely impacted by the flooding and will need resources to assist in clean up. A very limited number of properties have residents who have been displaced due to the damage. Rhode Island Housing continues to work closely with these properties to ensure clean up and relocation, when necessary, takes place.

Mr. Godfrey reported that data on foreclosure activity in Rhode Island illustrates that the initiations for January 2010 continue the downward trend begun in mid-2009. February's total of 664 is 38.5% less than the 1,079 initiations in April 2009. While overall, the number of initiations has decreased from past months, the number of initiations outside the urban core continues to increase as the foreclosure crisis expands beyond metropolitan areas. The RI Association of Realtors reported 4,682 distressed sales in 2009, accounting for 41.8% of all sales.

## **Revised Firm Approval of Preservation Financing for Douglas Manor**

Susan Bodington, deputy director, made this presentation.

This Request for Action is for Revised Firm Approval of financing for Douglas Manor Apartments (Douglas Manor), an existing elderly housing development originally financed by Rhode Island Housing in 1977.

Douglas Manor is a 100-unit elderly development located in North Providence. The development, composed of a single masonry building and associated parking, contains 86 one-bedroom units and 14 two-bedroom units. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract. The HAP contract for this site was renewed in 2010 and runs through 2030.

D.M. Associates, L.P., a Rhode Island limited partnership is the current owner of Douglas Manor. Property Advisory Group, Inc., serves as the general partner of the existing ownership entity. A new limited partnership entity, Douglas Manor Apartments, L.P., has been formed to acquire and renovate Douglas Manor. The general partner of the new ownership is D.M.A. Associates, LLC, a limited liability corporation with Cathedral Development Group, Inc., as the managing member.

In November of 2009, this Board gave Revised Firm Approval of a permanent tax exempt mortgage of up to \$5,620,000 to the prospective owner. Due to market conditions, two previously identified housing tax credit (“HTC”) syndicators had withdrawn from the proposed transaction and the sponsor was prepared to move forward through a combination of a loan from the seller and complete deferral of the developer fee in lieu of HTC equity. The sponsor has now received a Letter of Interest (“LOI”) from Washington Trust Bank who will be the syndicator. The developer and syndicator are prepared to move quickly to closing.

This RFA requests Firm Approval for a revised permanent tax exempt mortgage amount of up to \$6,225,000. The development has received an increase in the Section 8 rental assistance which, along with a lower interest rate than contemplated last year, supports a higher first mortgage. A portion of the financing will come from the New Issue Bond Program (“NIBP”) through the U.S. Treasury. The NIBP requires that loans be insured during construction and this requirement triggers Davis Bacon (“DB”) wages. Most of the additional first mortgage loan proceeds will be used to fund the increase in construction costs due to DB. The construction scope will be modestly expanded with the newly requested permanent mortgage amount.

Upon acquisition of the property, the new ownership entity will complete approximately \$1.5 million in improvements. The improvements will include common area upgrades, fire protection upgrades and exterior improvements. A capital needs assessment has been conducted and the new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecasted in future years.

The primary source of financing for the transaction will be a 40-year tax exempt first mortgage from Rhode Island Housing based on the lower of current HAP rents or market rents. Other

sources include syndication equity from 4% HTCs, existing project reserves and a small deferred developer fee.

As part of the transaction, the new owner will acquire the improvements and simultaneously enter into a 99-year ground lease agreement with the seller. Ground lease payments will be made by Douglas Manor Apartments, LP to the seller subject to cash flow availability. The ground lease will be subordinated to the Rhode Island Housing first mortgage. The affordability requirement will continue in perpetuity.

Upon a motion made by Commissioner Clough and seconded by Commissioner Solomon 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;

**Whereas,** Rhode Island Housing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

**Whereas,** Said bonds shall have a term not to exceed thirty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

**Whereas,** The applicant (“Applicant”) listed below has presented an application to Rhode Island Housing requesting mortgage financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Permanent Mortgage</u>
Douglas Manor	Cathedral Development Group, Inc.	\$6,225,000.00

**Whereas,** Rhode Island Housing staff has reviewed the submission and determined that this development may qualify for financing under Rhode Island Housing’s enabling legislation, regulations, guidelines and policies; and

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

**Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby declares revised firm approval for tax exempt mortgage financing in an amount not to exceed \$6,225,000.00 to Douglas Manor Apartments, L.P. for rental housing known as Douglas Manor located at 1155 Douglas Avenue in North Providence, Rhode Island.

**Resolved,** That Rhode Island Housing hereby declares that the revised firm approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue bonds to finance up to \$6,225,000.00 in permanent mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

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

- Completion of all items required for closing in accordance with normal underwriting and processing requirements.
- Final Approval by Rhode Island Housing of construction plans, specifications, and supporting construction documentation.
- Approval by bond underwriter and bond counsel that the loan will satisfy all required bond provisions for the bond issue.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the permanent first mortgage.

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

**Approval of YouthRap Awards**

Mr. Godfrey and Amy Rainone, director of policy, made this presentation.

This Request for Action is for funding for Youth RAP (Y-RAP) activities for FY 2011.

In 1990, Rhode Island Housing initiated Y-RAP to provide funds for youth activities at its family apartments. General revenues of the Agency are budgeted for the program. All family developments that have been financed through Rhode Island Housing are eligible to participate. Youth RAP programs provide activities which meet these goals: 1) to provide youth with job readiness skills and/or employment opportunities, 2) to provide youth leadership development, self-esteem awareness programs, and academic achievement, 3) to establish working partnerships and collaboratives with community agencies, 4) to strengthen relationships between development youth and the community, 5) to improve the quality of community life within the housing development, and 6) to improve relationships between residents and

management. Developments are requested to provide a 25% cash match which may be waived if adequate funds are not available.

In FY 2010, 31 programs served over 2,000 youth. Every program with a tutoring component reported stronger report cards. Work programs have grown beyond providing ‘make work’ for the youth, with participants working in local businesses. A sale of jewelry made by Y-RAP participants at Rhode Island Housing had good success with the children making money for their crafts. Rhode Island Housing continued working to increase communication between Y-RAP program managers and strengthening the programs by providing networking tools and organizing the first annual “Spring into Youth RAP” event. The spring was chosen by the children of the developments to replace the Talent Show and will include field day activities, swimming, and crafts.

This year’s proposals show a marked increase in resource sharing, as well as leveraging and cooperation among programs.

Rhode Island Housing distributed a Request for Proposals to all eligible family developments and received 32 applications. A review committee of Rhode Island Housing staff evaluated the applications and is recommending funding for 30 programs. Two applications were not granted awards, since the developments’ proposals did not fit the Youth RAP grant requirements. The Newport Housing Authority award is subject to revisions to the program. A list of the proposed awarded programs is included as Attachment A. The total cost to Rhode Island Housing is \$522,942 and developments will contribute an additional \$156,679 in matching funds. Five developments have requested a waiver of the match requirement. In addition, we are requesting \$15,000 to support program wide activities, including the Annual Spring Event and the Y-RAP Coordinator Training Retreats. The total funding request is \$538,000, a decrease of \$7,000 from last year.

Upon a motion made by Commissioner Barge and seconded by Commissioner Solomon 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 financed the development and operation of apartments for families throughout Rhode Island; and
- WHEREAS,** Employment, education and enrichment activities for young people living in those apartments contribute to the quality of life of all apartment residents; and
- WHEREAS,** Owners of Rhode Island Housing financed apartments have submitted plans to provide such activities and, where possible, will provide funds towards such activities.

**NOW THEREFORE IT IS HEREBY:**

**RESOLVED,** The Corporation is authorized to spend up to \$538,000 for FY 2011 Youth RAP activities including up to \$523,000 for 30 programs as shown in Attachment A, and up to \$15,000.00 to provide program wide activities including the Spring Event for youth in participating developments and Y-RAP Coordinator Training Retreats.

**RESOLVED** that the Executive Director and any Deputy Director or Director, each acting singly, be and hereby is authorized and directed to undertake any and all actions reasonably necessary to carry out the foregoing resolutions.

**Approval to Extend Letter of Credit in Connection with Smith Building Financing**

Mr. Godfrey made this presentation. Mr. Hogg, CFO, explained the details of the proposed letter of credit.

Rhode Island Housing issued a tax exempt bond in 1998 to finance the acquisition and refurbishment of the building adjacent to our own property on Eddy Street. The building has commercial space on the first floor and 36 apartments on the upper floors, of which 28 are market rental rate and 8 have tax credit rents.

The bond was constructed as a variable rate note, in original amount of \$2.7 million, with Bank of America serving as both the remarketing agent and the provider of a standby letter of credit (L.C.) in favor of the bond trustee.

The L.C. has matured and Bank of America is unwilling to renew the L.C. except at a significantly higher fee than previously charged, as well as changing some of its material terms. Because of these changed terms and conditions, and because we issued the conduit bond, the borrowing entity has asked Rhode Island Housing to consider alternatives, suggesting a refinancing of the entire bond. However, refinancing would be more costly to the project than keeping the existing variable rate bond. Consequently, we suggested that the bonded debt stay in place and that Rhode Island Housing provide the L.C. credit support to this seasoned project.

The borrowing entity is a partnership of Cornish Associates and the Kuehn Family Estate. The Rhode Island Housing letter of credit will be non-recourse, but will be collateralized by an assignment of the first mortgage on the land and building. A very recent appraisal produced a range of value between \$2.9 million and \$3.3 million. The L.C. will be priced at market rate on its nominal amount, will decline as the bond amortizes, and carry a term of five years, with optional renewals for two one year terms.

Buff Chase of Cornish Associates, was present to respond to questions from the Board of Commissioners.

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

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

**Resolved:** That approval of a letter of credit in connection with existing bond financing of the Smith Building, with a market rate of interest and for a term of up to seven years, and with other terms and conditions as the Executive Director or either Deputy Director or the Director of Development believes appropriate or advisable, be, and hereby is, approved.

**Resolved:** That the Executive Director, either Deputy Director, and the Director of Development, each acting singly, be and hereby is, authorized to execute and deliver on behalf of Rhode Island Housing all documents necessary or advisable to consummate such credit extension and to take such further actions as he or she shall deem necessary or advisable in connection therewith.

**Approval to Purchase Land and Building in Pastore Complex**

Mr. Godfrey made this presentation.

A specific element of the State Supplemental Budget for fiscal year 2010 is the sale of a parcel of land within the Pastore Complex. The parcel is the previous site of the juvenile detention and training school on Power Road in Cranston (the “Former Training School”). The site is comprised of several buildings, most of which are unoccupied, and it has been deemed surplus property by the State Properties Commission. The State desires to sell the parcel to Rhode Island Housing at a purchase price equal to current fair market value before the end of the State’s current fiscal year.

The Supplemental Budget submitted by the Governor to the Legislature for fiscal year 2010 includes the sale of the Former Training School to a quasi-public agency. Sale proceeds would be recognized as revenue since the land and buildings have no carrying value basis to the State. The description in the Budget is as follows:

“The State is prepared to partner with Rhode Island Housing or another qualified agency, if deemed preferable, in order to establish and manage a request for proposals (RFP) to eventually sell the property. The State would sell the property comprising of approximately 13.6 acres and 9 buildings to Rhode Island Housing prior to June 30<sup>th</sup>, 2010. RI Housing would then issue an RFP for prospective buyers. The financing would be subject to appraisal of the property. The financing would be structured to allow the agency to call the bonds if sufficient revenues existed to fully fund the financing.”

Purchase of surplus State land is unusual for us, though we have purchased residential land and buildings pending repurchase and refurbishment by our community housing partners. The primary reason for the purchase is to assist the State with the timing of its surplus asset sale vis a vis its current year budget issues.

Staff seeks approval to proceed with this purchase and to undertake necessary preliminary steps leading up to it. More specifically, preliminary actions would include: (1) engaging legal, civil engineering, survey and appraisal services, consistent with our purchasing regulations; (2) conducting environmental reviews and assessments of the land and buildings there; and (3) engaging an architectural firm to conduct structural assessments of the buildings. The purchase price will be determined after appraised value is known. Notes or other short term borrowing arrangements will be made to fund the purchase price and other related costs.

A general discussion followed the presentation in which the Commissioners discussed whether the proposed acquisition was financially feasible and consistent with Rhode Island Housing's mission. The Commissioners requested a committee be appointed to review appraisals, strategize and resolve any potential hardships to Rhode Island Housing. The Commissioners also requested notification of any matters of a material nature that may arise. The Chairman invited the Commissioners to participate in a site visit if they wished.

Following the discussion, the Commissioners asked that the resolution be modified to reflect the concerns raised. Mr. Godfrey and Mr. Milito restated the resolution as requested by the Commissioners.

Upon a motion made by Commissioner Flynn and seconded by Commissioner Monteiro the following modified resolution was approved on a 6 – 1 vote, with Commissioner Clough voting in the negative.

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

**Whereas:** the State budget for fiscal year 2010 includes a provision which addresses the sale of the parcel of land located on the Pastore Complex in Cranston, specifically the site of the former Rhode Island Training School and Juvenile Detention Center on Power Road (the "Former Training School"); and

**Whereas:** Rhode Island Housing has the capacity and authority to purchase and develop real estate generally.

**Now therefore, it is hereby**

**Resolved:** that members of staff of Rhode Island Housing are authorized to engage external parties, to contract for professional services, and to conduct negotiations with the State, and discussions with the City of Cranston and other interested parties prior to and preparatory for the purchase of the Former Training School;

**Resolved:** that Rhode Island Housing is authorized to negotiate price and terms for the purchase of the Former Training School that the Executive Director, determines to be in the best interests of Rhode Island Housing subject to the approval of the Board of Commissioners;

**Resolved:** that the Executive Director, or any Deputy Director, each acting singly, be and hereby is, authorized to execute and deliver on behalf of Rhode Island Housing all documents necessary or advisable to commence negotiations of the Former Training School subject to the approval of the Board of Commissioners and to a public review meeting;

**Resolved:** that the Executive Director, or any Deputy Director, each acting singly, be and hereby is, authorized to take any actions he or she deems necessary to carry out the above Resolutions.

**Approval of Draft 2011 Qualified Allocation Plan (QAP)**

Mr. Godfrey made this presentation. Ms. Ventura, Director of Development, provided additional comments.

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

In accordance with these requirements, Rhode Island Housing has administered its tax credit program under a Plan that was first adopted in January, 1990. The Plan was last amended in June 2009.

Staff has proposed the following changes to the Plan.

Section I.C.	Tax Credit Requirements
Section II. B.	Project Selection Process
Section III.A.2.	Readiness to Proceed
Section III.A.3	Creditworthiness and Good Standing
Section III.A.4	Financial Feasibility
Section III.B.3.	Satisfaction of State Housing Needs
Section III.B.4	Site Factors
Section III.B.5	Preliminary Design Factors
Section III.B.9	KeepSpace Communities
Section III.E..	Supportive Housing
Section V.	Tax Credit Exchange Program

A black-lined draft of the Plan is attached as Attachment B and a clean version is attached as Attachment C.

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

Staff recommends that the Board of Commissioners approve the attached Resolution authorizing publication of Rhode Island Housing’s notice of its intent to approve and adopt the Plan as set forth in Attachment C.

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

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

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) has been designated by the Governor as the Principal Housing Agency and Tax Credit Allocation Agency for the State of Rhode Island (the “State”);

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

WHEREAS, The Plan must establish priorities and criteria for allocating the tax credits that best meet the housing needs and must be adopted pursuant to a public hearing and comment period; and

WHEREAS, Housing needs for the State of Rhode Island have been established pursuant to the Rhode Island Five Year Strategic Housing Plan: 2006 – 2010

NOW, THEREFORE, BE IT:

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

There being no further business to discuss, a motion was duly made by Commissioner Barge and seconded by Commissioner Solomon to adjourn the open meeting at approximately at 9:42 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.  
Secretary and Executive Director