

**MINUTES OF MEETING
OF THE
BOARD OF COMMISSIONERS**

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, September 23, 2010 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; Michael Marques, Director of Department of Business Regulation; and 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; Cathleen Paniccia, Director of Homeownership and Administration; Amy Rainone, Director of Policy; Leslie McKnight, Director of Servicing; and Michael V. Milito, Corporation Counsel.

Ed Pare, Counsel to the Corporation was also present, as were members of the public.

Pursuant to Chapter 46 of Title 42 of the General Laws of Rhode Island, notice of the meeting of the Board of Commissioners was posted in the Offices of the Corporation and at the first floor bulletin board in the State House.

Chairman Noble called the meeting to order at approximately 8:35 a.m.

Approval of Minutes of Board Meeting Held on August 19, 2010

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

VOTED: That the Minutes of the Board Meeting held on August 19, 2010 hereby are approved.

Chairman's Report

There was no report from the Chairman.

Commissioner Monteiro arrived at this point at 8:39 a.m.

Committee Reports

Chairman Noble noted that an Audit subcommittee was held on September 16, 2010 along with Human Resources and Budget Committee meetings. Copies of the minutes of the Audit, Budget

and Human Resources Committees were provided in the board package. The recommendations of the Human Resources Committee are incorporated into the fiscal year 2011 budget.

Chairman Noble made brief comments on the Human Resources Committee meeting, noting that two action items would be considered based on the Committee's recommendations.

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.

Commissioner Marques presented a condensed version of the proposed budget, noting that it is very similar to the FY 2010 budget in terms of structure and expected outcome. Operating expenses are expected to increase by about 1.8%, reflecting hiring for the HHFRI Program. Programmatic expenses are down slightly from FY 2010.

At this point, Chairman Noble suggested that as the minutes of the Budget committee had been reviewed that the FY 2011 be voted on at this time. The Commissioners agreed and Mr. Godfrey provided a brief overview of the budget.

Mr. Godfrey noted that of particular interest are the effects of several significant challenges in the economy and our marketplace. Among them, most difficult are price depreciation in the housing sector, prolonged weakness in the national and local economies and continued high level of unemployment in the State. Counterbalances on the positive side are several federal initiatives that have provided support in areas of mitigating delinquency, especially due to unemployment, and a continuation of the Treasury Department's HFA bond purchase program. Considering the magnitude of these external factors, stabilization is more realistic than growth.

Other noteworthy items in the Budget are the following efforts: (1) application of recently enacted federal legislation addressing unemployment related delinquency and foreclosures, (2) continuation of our counseling assistance for homeowners through our Help Center, (3) funding for the Road Home and Keep Space initiatives, and (4) shifting of internal resources to areas needing more support like loan servicing, counseling and collections.

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

Upon a motion made by Commissioner Marques and seconded by Commissioner Monteiro the following resolution was unanimously adopted along with the FY 2011 Budget which is attached as part of the September 23, 2010 board package.

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

Resolved: That the fiscal year 2011 Budget of the Corporation as set forth in Attachment B is hereby approved.

Next, Commissioner Clough presented the Audit Committee Report. A copy of the minutes of the Audit Committee had been previously provided to the Commissioners.

Commissioner Clough gave a “bullet point” overview of the Audit Committee report. The audit was a clean, unqualified audit. There were no findings of any sort and no management letter. The auditors offered a few, minor suggestions that staff are considering.

Mr. Hogg added a few observations, noting that with a new auditor there is a shakedown period that both parties work through. The new auditor has a greater focus on systems and controls compared to the approach taken by the previous auditor, which emphasized a sample of transactions. Neither approach is inherently superior, and both auditors tested systems and transactions. The A-133 Audit is scheduled to be completed in November.

Executive Director’s Report

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

Mr. Godfrey noted that the 2011 budget has been assembled with the goals of maintaining the financial stability of Rhode Island Housing, providing help to those hardest hit by the housing crisis, assuring the availability of credit to the housing market, and supporting the development of new homes in the state.

Very severe challenges still face the state, the residents and Rhode Island Housing. However, Mr. Godfrey noted that there are positive signs that the economic situation is improving; albeit too slowly to provide major relief over the next 10 months. While Rhode Island Housing would like to be able to undertake new initiatives to accelerate the state’s recovery, Rhode Island Housing first needs to restore the traditional financial strength it had before the \$26 million transfer to the state in 2008.

Rhode Island Housing’s two primary lending and revenue generating programs are for first-time homebuyers and affordable apartment construction or rehabilitation. In Rhode Island and across the country, homebuying activity is extremely slow. Home loan lending is at historically low levels even though Rhode Island Housing has become the second largest homebuyer lender in the state.

Mr. Godfrey relayed to the Commissioners that the U.S. Department of Housing and Urban Development (HUD) announced that the State of Rhode Island and the City of Providence will be receiving an additional \$6.3 million in Neighborhood Stabilization Program (NSP) funds. The funding is part of the ‘Wall Street Reform and Consumer Protection Act.’ Rhode Island received \$19.6 million in the first round of NSP, which was funded as part of the Housing and Economic Recovery Act in 2008. NSP 3 funding will be used to purchase and rehabilitate foreclosed properties. The goal is to revitalize neighborhoods and put Rhode Islanders back to work. The state will receive \$5 million in NSP funds and the City of Providence will receive \$1.3 million

Another U.S. Treasury announcement was that Rhode Island will receive nearly \$57 million in federal funding to help Rhode Islanders who are at risk of losing their homes. Rhode Island Housing is actively assembling staff and designing workable programs to distribute the funds under the Hardest Hit Fund Rhode Island (HHFRI) Program. Total funding from Treasury under this program is approximately \$80 million.

HHFRI will be rolled out in stages to focus on those communities most affected. The first will be Providence, which statistically has been hardest hit by the foreclosure and unemployment crises. (More than 24 percent of all foreclosures in Rhode Island in 2009 were in Providence as well as 24 percent of unemployment claims.) The program will then open up to 11 more of the state's communities with the next highest foreclosure percentages. A statewide roll out is planned within two months following the launch of HHFRI.

Approval to Borrow from Bank Rhode Island for Kingstown Crossings, L.P.

Richard Godfrey presented this request. Mr. Hogg, CFO, provided additional comments.

This Request for Action is for approval to borrow funds from Bank Rhode Island ("BankRI") in order to provide first mortgage financing for Kingstown Crossings I (the "Development").

At the June 25, 2009 Board Meeting, the Board approved a comprehensive financing package for the Development, including a first mortgage of \$3,600,000 which was subsequently reduced to \$3,350,000 prior to closing. That transaction has closed and construction has begun.

The financing package approved at the June 2009 meeting included a subsidy and grant award (the "Subsidized Advance") from the Federal Home Loan Bank of Boston ("FHLBB"). The Subsidized Advance will pass through a FHLBB member bank, to Rhode Island Housing. We in turn will fund our first mortgage loan to the Development. The cost of the Subsidized Advance is less than Rhode Island Housing's usual cost of capital and permits us to make the first mortgage at a reduced interest rate. The loan to Rhode Island Housing will be non-recourse, and will be secured by a pledge of the \$3.35 million first mortgage loan documents from Kingstown Crossing, L.P to Rhode Island Housing.

In June 2009, Citizens Bank was expected to be the FHLBB member bank which would lend the Subsidized Advance to Rhode Island Housing for re-disbursement to the Development. However, Citizens subsequently withdrew from the financing and Bank RI agreed to step in for purposes of obtaining the Subsidized Advance. A commitment letter outlining the terms of the Subsidized Advance is attached.

This Request for Action is for authority to borrow \$3,350,000 from BankRI in order to fund Rhode Island Housing's first mortgage financing of the Kingstown Crossings I project.

Upon a motion made by Commissioner Marques 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**

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 has previously approved a first mortgage loan to construct a residential housing development as follows:

Development	Developer	Borrower	First Mortgage
Kingstown Crossings I	Crossroads Rhode Island	Kingstown Crossings, L.P.	\$3,350,000

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, in order to fund Rhode Island Housing’s loan to Kingstown Crossings, L.P. with respect to Kingstown Crossings I, Rhode Island Housing may enter into a \$3,350,000.00 loan arrangement (the “Loan”) with Bank Rhode Island (“BankRI”) substantially in accordance with the terms and conditions set forth in the July 1, 2010 Commitment Letter from BankRI, attached to the Request for Action as Attachment B; and

Resolved, That Rhode Island Housing may secure the Loan by granting to BankRI security or other interests in certain of Rhode Island Housing’s assets, including, without limitation, an assignment of Rhode Island Housing’s loan documents with Kingstown Crossings, L.P.; and

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

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

Resolved, That any actions and deeds previously taken by any Authorized Officer for and on behalf of Rhode Island Housing with respect to the Loan, including, without limitation, the execution of the Commitment Letter attached to the Request for Action as Attachment B, are hereby ratified, approved and confirmed in all respects.

Approval of Engagement of Communications Consultant Services

Mr. Godfrey made this presentation.

Periodically Rhode Island Housing solicits proposals for communications and public information services as needed in support of its mission. In accordance with established practice of the Board of Commissioners, Rhode Island Housing issued a Request for Proposals (RFP) in June 2010. The RFP notice was listed on the Rhode Island Housing website and the website maintained by the RI Division of Purchasing of the Department of Administration. In addition, the RFP was sent by email to 26 public information and communication agencies in Rhode Island.

Rhode Island Housing received proposals from thirteen (13) agencies.

The responding agencies were:

- (add)ventures
- Advocacy Solutions, LLC
- Cote & D'Ambrosio
- Duffy & Shanley, Inc.
- Hurley Chandler & Chaffer Inc.
- JH Communications
- LegionThirteen
- NAIL

- Nine Dot LLC & Solutions Inspired LLC
- RDW Group, Inc.
- Rosewood Consulting
- The Perry Group
- True North Communications, LLC

A Communications Services Review Committee composed of staff, the Deputy Director for Programs, the Executive Director, and a member of the Board of Commissioners reviewed the proposals, met to evaluate the proposals and conducted interviews with five (5) of the candidates.

The five candidates interviewed were:

- (add)ventures
- Advocacy Solutions
- Nail
- Nine Dot LLC & Solutions Inspired LLC
- RDW Group, Inc.

Following the interviews the Review Committee met to discuss the engagement of a communications services consultant. Among the factors considered by the Review Committee were:

- Ability to provide the public information services requested in a professional and timely manner.
- Ability to maintain the high customer service and public information standards of Rhode Island Housing.
- Ability to meet the eligibility requirements as set forth in this document.
- Current media contacts.
- Cost.
- Quality of prior work product.
- Agreement to grant full intellectual property rights to Rhode Island Housing.
- Other pertinent information submitted.

Based on a review of the proposals and staff's analysis, the Review Committee selected the following firms as finalists:

- (add)ventures
- Advocacy Solutions
- Nail

In the RFP, Rhode Island Housing reserved the right to select one or more firms to meet our communications and public information needs. Each of the above-listed firms offers strengths and areas of expertise that will best position us to meet future challenges and opportunities and provide vital information to all Rhode Islanders on important housing-related issues. As a full-service communications firm, (add)ventures is recommended as the primary communications

firm and we anticipate they will provide the bulk of communications and information services to Rhode Island Housing. In addition, the Review Committee requests that authorization be given to engage the other two finalists to provide services on a case-by-case basis if and when their particular expertise best suits the needs of Rhode Island Housing.

The Review Committee reached a consensus to authorize staff to negotiate with the chosen agencies regarding the fees to be charged and the services to be provided in order to best serve the interests of Rhode Island Housing. The initial contract term with (add)ventures will be for a period of two years with additional one-year options at the sole discretion of Rhode Island Housing. The optional extensions are conditioned on the availability of funding in the annual budget. Expenditures for these services will be from the general operating account of Rhode Island Housing. Contracts with Nail and Advocacy Solutions will be negotiated if and when needed.

Mr. Godfrey introduced and welcomed Mary Sadlier of addVentures to the Board of Commissioners.

Upon a motion made by Commissioner Marques 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**

- Resolved: That Rhode Island Housing be and hereby is authorized to engage (add)ventures to provide communications services on such matters as the Executive Director or his designee deems advisable or necessary.
- Resolved: That Rhode Island Housing be and hereby is authorized to engage Advocacy Solutions, Inc and Nail as needed on such matters as the Executive Director or his designee deems advisable or necessary.
- Resolved: That the term of the engagement with (add)ventures shall be for two years, renewable on staff's determination that it is in the best interest of Rhode Island Housing and subject to funding availability.
- Resolved: That the Executive Director or his designee, or any Deputy Director, each acting singly, be and hereby is authorized to take any and all actions, including specifically the authority to negotiate terms and fees of the engagements as they 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 they deem necessary to carry out the above resolutions.

Approval of Engagement of Compensation Consultant Services

Mr. Godfrey presented this request.

Rhode Island Housing adopted its current job classification structure and salary ranges in 1997. At that time, a comprehensive analysis of each job description was conducted and each position was assigned a job classification grade. At the same time, a review of market data from appropriate public and private sector companies was undertaken to establish a competitive salary range for each grade.

Rhode Island Housing last undertook a comprehensive classification and compensation study of Rhode Island Housing's workforce in 2005. Since then, Rhode Island Housing has adjusted salary ranges based on an in-house review of salary data from comparable local and regional employers, and has reclassified specific jobs on a case-by-case basis as new positions are created or responsibilities of existing positions are changed.

In light of the time since our last comprehensive review, the significant changes that have occurred internally, and the economic dynamic both nationally and regionally, staff determined that a comprehensive review of Rhode Island Housing's job classification structures and salary ranges is needed. This review is designed to ensure that our positions are competitive in the market place and that there is internal compensation equity.

Rhode Island Housing issued a Request for Proposals (RFP) for consultant services to assist in this comprehensive review in July. The RFP was distributed to several firms that perform these studies and was posted on the website maintained by the Division of Purchasing of the Department of Administration.

Eleven firms submitted proposals in response to the RFP. The proposals were reviewed by the Human Resources Department and the Deputy Director – Finance, which selected the following firms as finalists in accordance with the selection criteria specified in the RFP:

- Springsted
- Fox Lawson and Associates
- Evergreen Solutions
- The Mercer Group

Telephone interviews were held, with each of the finalists given an opportunity to make a short presentation, followed by questions from the committee. The telephone conversations lasted about an hour for each firm.

Following the interviews, the committee discussed the presentations of each of the finalists and reached consensus that Evergreen Solutions and Springsted were ranked first and second among the finalists.

Although all of the finalists were judged to be capable of undertaking the assignment, Evergreen Solution's proposed work plan was the most detailed and demonstrated that they understood the scope of the assignment. Each finalist had significant experience working with governmental and non-profit entities; however, Evergreen Solutions had the most experience working with organizations involved in housing programs, and had a staff with sufficient depth and breadth to take on this assignment. Evergreen also committed to complete the assignment within 60 days, compared to the 3-6 months proposed by the other finalists. Staff was also very impressed with Evergreen Solutions' upbeat and engaging presence. Finally, Evergreen

Solutions final fee proposal was the second lowest of the finalists, about \$2,000 greater than the lowest proposal.

When all the factors are considered, staff determined that Evergreen Solutions' proposal represents the most responsive bid and provides the best value to Rhode Island Housing.

Staff presented their recommendations to the Human Resources Committee of the Board, which agreed with staff's assessment, and recommends that Rhode Island Housing be authorized to engage Evergreen Solutions. The Human Resources Committee further recommends that Rhode Island Housing be authorized to engage Springsted if satisfactory contract terms cannot be reached with Evergreen Solutions.

Upon a motion made by Commissioner Clough 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**

Resolved: That Rhode Island Housing be and hereby is authorized to engage the firm of Evergreen Solutions to provide comprehensive compensation and salary consultant services, on such terms and conditions as the Executive Director determines to be in the best interests of Rhode Island Housing.

Resolved: That if the Executive Director determines that the engagement of Evergreen Solutions is not able to be accomplished on such terms and conditions as are in the best interest of Rhode Island Housing, then Rhode Island Housing be and hereby is authorized to engage the firm of Springsted to provide comprehensive compensation and salary consultant services on such terms and conditions as the Executive Director determines to be in the best interests of Rhode Island Housing.

Resolved: The Executive Director be and hereby is authorized to take any and all actions, including specifically the authority to negotiate terms and fees of the engagement, in an amount not to exceed \$25,000, 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.

Adoption of Policy Governing Employee Participation and Conflicts of Interest for the Hardest Hit Fund Program

Mr. Godfrey briefed the Board on this request.

Rhode Island Housing recently was awarded \$53 million by the United States Treasury ("Treasury") under the Emergency Economic Stabilization Act of 2008 ("EESA"), to develop programs to stabilize the housing market and prevent avoidable foreclosures through the provision of financial assistance on behalf of eligible homeowners. Rhode Island Housing has

developed the Hardest Hit Fund Rhode Island program (the “HHFRI Program”) to implement the aims of EESA.

Rhode Island Housing recognizes that, as a result of high unemployment in the State of Rhode Island and other local economic factors, some Rhode Island Housing employees may be suffering a financial hardship and would therefore qualify for assistance under the HHFRI Program. In addition, friends, relatives or business associates of Rhode Island Housing employees may also be eligible for this assistance.

Rhode Island Housing does not believe that its employees, or their friends, relatives or business associates, should be categorically ineligible for HHFRI Program assistance, which is intended to be available to all qualified homeowners in Rhode Island. However, Rhode Island Housing desires to adopt reasonable policies and procedures designed to avoid actual or perceived favoritism and other conflicts of interest in the administration of the HHFRI Program. Adopting such policies will also be consistent with our commitments to Treasury under EESA to administer the HHFRI Program in a manner that promotes transparency and avoids conflicts of interest.

The HHFRI Program working group has developed the proposed Policy on Employee Participation and Conflicts of Interest regarding the HHFRI Program, which is included as Attachment A. The policy provides that Rhode Island Housing employees who are directly and substantially involved in the administration of the HHFRI Program, such as staff at the Director level or above, or those with senior operational responsibilities over the HHFRI Program in the Homeownership or Servicing Divisions, are ineligible for HHFRI Program assistance. In addition, any Rhode Island Housing employee earning more than \$65,000 per year is also ineligible. Other employees are eligible for assistance, and their applications will be handled in a manner that protects the confidentiality of their financial information and provides for a third-party recommendation for assistance.

Friends, relatives and business associates of Rhode Island Housing are eligible to apply for HHFRI Program assistance; however, the Rhode Island Housing employee who has the relationship with the applicant may not participate in any way in the processing, approval, underwriting, or administration of the application for assistance.

Upon a motion made by Commissioner Barge 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**

Resolved: That Rhode Island Housing is authorized to adopt the Hardest Hit Fund – Rhode Island Policy on Employee Participation and Conflicts of Interest, substantially as set forth in Attachment A, effective immediately.

Resolved: That the Executive Director, any Deputy Director or the Director of Homeownership, each acting singly be, and hereby are, authorized and

empowered to take any and all such actions as they may deem necessary or advisable to carry out the foregoing resolution.

There being no further business to discuss, a motion was duly made by Commissioner Solomon and seconded by Commissioner Flynn to adjourn the open meeting at approximately at 9:29 a.m.

Respectfully submitted,

Richard H. Godfrey, Jr.
Secretary and Executive Director