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**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, June 16, 2011 at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Mark Noble; Vice Chairwoman Denise Barge; Paul McGreevy, Director of Department of Business Regulation; Steven Costantino, designee for Richard Licht, Director of Administration; Joshua H. Brumberger, designee for General Treasurer Gina Raimondo; Jose Monteiro and Perry Clough.

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

Edward 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 May 19, 2011

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

VOTED: That the Minutes of the Board Meeting held on May 19, 2011 are approved.

Chairman's Report

Chairman Noble did not have anything to report.

Committee Reports

There were no committee meetings held during May.

Commissioner Costantino arrived at this point of the meeting at approximately 8:38 a.m.

Executive Director's Report

Mr. Godfrey noted that with the Governor nominating two new members to the Board, this could be the last meeting for Board Chair Mark Noble and Commissioner Perry Clough. In the event that this meeting would be the last one for Mr. Noble and Clough, then Mr. Godfrey wanted to acknowledge their individual contributions to the Agency.

Mr. Godfrey extended Rhode Island Housing's Board and staff's gratitude to Chairman Noble for his support to Rhode Island Housing's goals and mission. In gratitude of his service as Chairman of the Board of Rhode Island Housing, Mr. Godfrey presented Chairman Noble with a plaque recognizing his efforts in assisting Rhode Island Housing in achieving its mission.

In appreciation and dedication of his four years as Commissioner of the Board of Rhode Island Housing, Mr. Godfrey presented Mr. Clough with a plaque recognizing and commending him for his contributions to Rhode Island Housing board.

Mr. Godfrey also acknowledged the contributions of Kevin Flynn, who served as the primary designee for several Directors of the Department of Administration, and presented him with a similar plaque.

Chairman Noble also expressed his appreciation and wished Mr. Clough and Mr. Flynn success in their endeavors.

Commissioner Clough and Flynn thanked Mr. Godfrey, Chairman Noble and the board for the plaque and also for the opportunity of serving on Rhode Island Housing's board of commissioners.

Mr. Godfrey then also announced that John Gordon, Director of Asset Management, was retiring on June 30th after 34 years at Rhode Island Housing. In appreciation and dedication of his years of service, Mr. Godfrey sincerely thanked and presented Mr. Gordon with a plaque recognizing and commending him for his efforts in making Rhode Island a better state for all.

Following the presentations, Mr. Godfrey referred the Commissioners to his written report which had been previously distributed and provided additional information on a few of the items in the report.

Mr. Godfrey announced that Rhode Island Housing has been a Performance Based Contract Administrator (PBCA) for over 34 years. As Contract Administrator for Rhode Island, the Agency has been extremely successful in performing the required tasks of the contract. The current PBCA contract portfolio consisting of 177 contracts with 15,318 units has expired and Rhode Island Housing has submitted a proposal for the new contract. Rhode Island Housing submitted its proposal to HUD for contract renewal on April 27, ahead of the deadline. HUD will review the recommendations and send the decisions to the Intergovernmental Office before formal announcements are made. It is expected that the awards will be made during the latter part of June.

Mr. Godfrey noted that State FY 2012 Budget is posted for release on Friday. The major impact from the Governor's budget is the elimination of State funding for the Neighborhood Opportunities Program and requiring Rhode Island Housing to fund the program at \$1.5 million. Rhode Island staff is doing foundation work on a 2012 budget. However, with major open issues at the state and federal level, it's expected there will be a delay in bringing the Agency's FY 2012 draft budget to the Board.

On the Federal level, new proposed rules will severely limit conventional home lending to borrowers that can provide a 20% down payment. This provides Rhode Island Housing with challenges and opportunities. Restricting conventional lending could further subdue home buying and values. Conversely, if agencies such as Rhode Island Housing are given the tools to help those excluded from the conventional market, it could see program expansions. However, at the present time municipal bonds carry interest rates that are higher than market and their tax exemption could be questioned as part of overall deficit reduction discussions.

Convening of the Section 8 Committee

Upon a motion made by Commissioner Monteiro and seconded by Commissioner Barge, 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 Amendments to the PHA Administrative Plan. The Section 8 Committee Meeting was convened at 8:42 am.

Chairman Noble introduced and welcomed Sister Helen Provost, 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.

Approval of Amendments to the PHA Administrative Plan

Mr. Godfrey made this presentation.

Rhode Island Housing operates several federal housing programs, one of which is the Section 8 Housing Choice Voucher Program (the "HCV Program" or "Program"). The HCV Program offers rental subsidies to help income-qualifying families, senior citizens and disabled individuals afford safe, healthy homes of their choosing. Rhode Island Housing serves as a Public Housing Authority ("PHA") in a number of Rhode Island communities. In that capacity Rhode Island Housing makes subsidy payments directly to landlords on behalf of participating families, and the families pay the difference between the rent charged by their landlords and the amounts subsidized by the Program. Rhode Island Housing's operation of the HCV Program is governed by an internal Administrative Plan (the "Plan"), developed as required by federal regulation.

In connection with Rhode Island Housing's ongoing compliance efforts, staff recently undertook a substantive review of the Plan. The Plan currently in effect was adopted by the Rhode Island Housing Board of Commissioners by resolution dated October 18, 2007 and has not been formally updated since.

As a result of this review, staff identified several areas in which the Plan did not correspond to current practice; staff also identified several areas in which procedural compliance with federal regulations could be tightened. These areas include the Plan's descriptions of Rhode Island Housing's fair housing policies, general tenant selection and voucher portability procedures, as well as the Agency's administration of waiting lists for project-based assistance.

Staff has proposed a series of amendments, summarized below, to the Administrative Plan to ensure that the Plan reflects current practice and complies with applicable HUD requirements.

- Chapter 1 has been revised to reflect the full list of programs to which the Plan applies.
- Chapter 2 has been revised to reflect additional local fair housing and anti-discrimination statutes, rules and regulations.
- Chapter 4 has been revised to reflect the bifurcation of our waiting list for tenant based assistance into "General" and "Disability Preference" sub-lists. Tenant selection will continue to alternate between these sub-lists. The revisions also clarify that as applicants provide information in response to regular purge notices, applicant preferences will be updated, and that applicants whose homeless or disabled status causes them to fail to respond to a purge notice will be eligible for reinstatement to the waiting list.
- Chapter 10 has been revised to clarify the circumstances under which insufficient funding may cause Rhode Island Housing to deny a participating family permission to move.
- Chapter 15 has been revised to include the full list of special housing types permitted by Rhode Island Housing (e.g., single room occupancy, manufactured homes).
- Chapter 17 has been revised to more fully document Rhode Island Housing's procedures for administering waiting lists for project-based voucher assistance (i.e., where rental assistance vouchers attach to particular units). Specifically, Rhode Island Housing will use a separate, site-specific waiting list for each project, and will take responsibility for conducting tenant selection from those lists.

The proposed amendments to the Plan are consistent with Rhode Island Housing's Annual Plan, which has recently been approved by the Board of Commissioners and HUD. These amendments will become effective upon approval and adoption by the Rhode Island Housing Board of Commissioners.

Staff recommends that the Board of Commissioners approve the attached Resolution adopting the revisions to the Administrative Plan substantially in the form as presented at this meeting.

Upon a motion made by Commissioner McGreevy 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 and Mortgage Finance Corporation (“Rhode Island Housing”) has been designated by the United States Department of Housing and Urban Development (“HUD”) as a Public Housing Authority (“PHA”) in connection with the Section 8 Housing Choice Voucher Program (the “HCV Program”);

WHEREAS, Part 982.54 of Title 24 of the Code of Federal Regulations requires each PHA to administer its HCV Program according to an Administrative Plan (the “Plan”);

WHEREAS, The Plan must establish local policies for administration of the program in accordance with HUD requirements and must be adopted by the PHA Board of Commissioners; and

WHEREAS, Staff has established the need to revise portions of the Administrative Plan to conform to HUD requirements and internal procedure;

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing hereby approves and adopts the amendments to the Rhode Island Housing Administrative Plan substantially in the form presented at this meeting.

Upon a motion by Commissioner Clough and seconded by Commissioner Monteiro, the Section 8 Committee adjourned at 8:46 a.m. and Chairman Noble reconvened the full Board in open session.

Preliminary Revised Approval of Kingstown Crossings

Mr. Godfrey presented this request.

This Request for Action (“RFA”) is for preliminary approval of a revised Financing Plan for Kingstown Crossings I including additional Tax Exempt Construction Financing and the admission of an investor limited partner. Kingstown Crossing I consists of 58 new apartments in North Kingstown developed and operated by Crossroads Rhode Island (“Crossroads”).

The former Navy Drive development consisted of obsolete military housing, retrofitted for civilian use. The project, with planned future phases, is replacing these buildings with a more vibrant village neighborhood environment. The development has been operated by Crossroads since the 1980s. At the present time, 24 of the 58 new units in Project I are nearing completion and work on the remaining 34 units in Project I is well underway with an anticipated completion during the first quarter of 2012. Section 8 rental assistance for all 58 units is provided through a Housing Assistance Payment (“HAP”) contract

When the transaction closed in 2010, the tax credit syndication market was still negatively affected by the economic downturn and there was no investor interest in this transaction. To

fill the gap left by the lack of investor equity, Kingstown Crossing I received an allocation of Tax Credit Assistance Program (“TCAP”) funds under the American Recovery and Reinvestment Act of 2009 (“ARRA”) program along with additional funds from Rhode Island Housing. The financing structure also included a tax exempt construction loan to maintain the project’s eligibility to generate 4% housing credits should a tax credit investor be identified in the future.

On May 16, 2011, Stratford Capital Group of Companies (“Stratford Capital”) provided Crossroads with a Letter of Intent by which it offered to syndicate the housing credits to provide approximately \$2.1 million in equity. This will provide funds to repay some of the original funding sources, cover some additional costs and increase financial reserves for the development.

In August 2010, the construction loan was closed in the amount of \$6.2 million. In order to achieve the full amount of housing credits available for syndication, the previously approved tax exempt financing amount must be increased to \$6.5 million.

This RFA also seeks approval for the admittance of an affiliate of Stratford Capital into the existing Kingstown Crossing Limited Partnership (“KCLP”). Currently KCLP is comprised of NK Housing, Inc. as the general partner and Crossroads Rhode Island as the limited partner. Stratford Capital or its affiliate will be admitted as the investor limited partner. An Amended and Restated Limited Partnership Agreement would be executed between NK Housing, Inc and Stratford Capital.

The revised transaction will admit a strong financial partner, increase financial reserves, and repay Affordable Housing Trust (“AHT”) and TCAP funds which will then be available to build or preserve additional affordable homes. Though the details of the new partnership arrangement are still being negotiated, the admittance of the investor limited partner must be completed this summer.

The new permanent first mortgage and pass through arrangement remains unchanged from the previously approved structure. Crossroads received a subsidy and grant award (the “Subsidized Advance”) from the Federal Home Loan Bank of Boston (“FHLBB”) for Kingstown Crossing I. The Subsidized Advance will pass through BankRI, a FHLBB member bank, to Rhode Island Housing, which will in turn fund the first mortgage loan to the development. The cost of the Subsidized Advance is less than Rhode Island Housing’s usual cost of capital and allows for a mortgage at a reduced interest rate. The loan from BankRI to Rhode Island Housing is non-recourse, and is secured by a pledge of the loan documents from Rhode Island Housing to the new Limited Partnership.

Negotiations are under way among the parties regarding the details of the syndication transaction and the restructuring of the current ownership entity to admit the new equity investor as a limited partner. Following resolution of these structuring issues, the parties, including Rhode Island Housing, must reach agreement on the uses of the additional investor equity available to the Project. For that reason, staff only seeks preliminary approval of the

revised financing plan at this time; we expect to ask for final approval in August after final agreement on the uses of these funds has been reached.

This Request for Action is for Preliminary Approval of an increase of tax-exempt financing in the amount of \$300,000 for a total amount of \$6,500,000 for construction financing for Kingstown Crossing I and the admittance of Stratford Capital Group of Companies or a related affiliate as an investor limited partner.

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;

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 forty (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 tax-exempt financing to construct affordable housing on the existing Navy Drive property as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Construction Loan</u>
Kingstown Crossings I	Crossroads Rhode Island	\$6,500,000

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby provides preliminary approval of a tax-exempt first mortgage loan to Crossroads Rhode Island, or an affiliated entity (the “Borrower”) in an amount not to exceed \$6,500,000 for rental housing to be located in North Kingstown, Rhode Island and, to be known as Kingstown Crossings I.

Resolved, That Rhode Island Housing hereby declares that the preliminary 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 a \$6,500,000 mortgage loan, and the related costs of issuance for the bond issue for the above-referenced Development 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 transfer of the limited partner interest in Kingstown Crossing, L.P. from Crossroads Rhode Island to Stratford Capital Group of Companies or a related affiliate be, and hereby is, preliminarily approved.

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

- Approval by bond underwriter and bond counsel that the tax-exempt loan (with its revised amount) will satisfy all required financing provisions as well as assurance that the equity investors will not also be involved in the transaction as purchasers of the Rhode Island Housing bonds used to fund the loan.
- Finalization of the transaction to raise \$2.1 million in investor equity for the development.
- Final agreement on the uses of the investor equity.

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.

Final Approval of 2012 Qualified Allocation Plan

Mr. Godfrey made this presentation.

At the April 21, 2011 meeting, the Rhode Island Housing Board of Commissioners preliminarily approved and authorized publication of Rhode Island Housing’s intent to adopt the 2012 Qualified Allocation Plan (the “Plan”) governing the allocation of low income housing tax credits. Rhode Island Housing published notices of the public hearing and availability of the Plan on Friday, April 29, 2011 in the Providence En Espanol, Monday, May 2, 2011 in the Providence Journal and Thursday, May 12, 2011 in the Providence American.

The public hearing was held at the offices of Rhode Island Housing on Thursday, June 2, 2011. No interested parties attended the hearing. Rhode Island Housing staff has proposed to add a

paragraph to *Section III. B.3.d Provision of Housing for Lowest Income Populations*. This change was made as a result of Rhode Island Housing's intention to participate in the Department of Housing and Urban Development's Project Rental Assistance program under the Section 811 program.

The Plan will become effective only after (1) the Rhode Island Housing Board of Commissioners has voted final approval of the Plan; and (2) the Governor has signed the Plan.

Staff recommends that the Board of Commissioners approve the attached Resolution adopting the Plan and recommending the Plan for approval and endorsement by the Governor.

Upon a motion made by Commissioner Barge and seconded by Commissioner B 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, as amended, 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 Consolidated Plan: 2010 - 2015.

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing adopt the attached 2012 Qualified Allocation Plan for the State of Rhode Island, and hereby recommends the Plan be approved and endorsed by the Governor of the State of Rhode Island and Providence Plantations.

RESOLVED: That Rhode Island Housing develop and distribute a Request for Proposals (RFP) soliciting applications for 2012 tax credits pursuant to the Plan.

Approval of Engagement of Environmental Laboratory Services

Mr. Godfrey presented this request.

This Request for Action seeks approval to contract with environmental laboratory analysis firms to analyze potentially lead-contaminated paint, water and dust samples for Rhode Island Housing's LeadSafe Homes Program.

The LeadSafe Homes Program is funded with federal funds from the Department of Housing and Urban Development (HUD) and with state funds from the Housing Resources Commission. The Program is responsible for the mitigation of lead-based paint hazards in homes with children under the age of six and in homes in which a child under the age of six visits regularly.

A Request for Proposals (RFP) was posted on the state's Division of Purchasing website and on Rhode Island Housing's website with proposals due May 18, 2011. Four (4) environmental laboratories responded. Staff reviewed the proposals for professional capacity, cost and previous performance with the LeadSafe Homes Program, and recommends that the contract for services be awarded to two (2) of the four environmental lead laboratories, including the only Rhode Island based firm.

Two firms were eliminated based upon past performance problems experienced by the LeadSafe Homes Program and on interviews conducted by staff with lead inspections firms that have utilized the services of all four laboratories.

The two recommended laboratories are: R.I. Analytical, a local firm that has recently received its certification from the Rhode Island Department of Health, and Schneider Laboratories Incorporated, a national firm based in Virginia that has provided exceptional service to the LeadSafe Homes Program for over ten years. Overall a seven percent (7%) decrease in the cost of services is anticipated.

The attached resolution authorizing the engagement of two environmental lead laboratories identified in Attachment B is recommended for approval.

Upon a motion made by Commissioner Clough and seconded by Commissioner McGreevy 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 entered into agreements with the U.S. Department of Housing and Urban Development and with the Rhode Island Housing Resources Commission to administer the state's LeadSafe Homes Program;

WHEREAS: Rhode Island Housing has solicited proposals from environmental laboratories and is authorized to enter into contractual agreements for laboratory analysis services and;

WHEREAS: Staff of Rhode Island Housing have reviewed each of the submitted service proposals and recommend awarding contracts to two of the four environmental laboratories listed in Attachment B;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing is authorized to award contracts to the two recommended environmental laboratories listed in Attachment B.

RESOLVED: That the Executive Director, the Deputy Director for Programs and the Director of Development, each acting singly 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 or she 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 or she deems necessary to carry out the above resolutions.

Approval of Engagement of Environmental Lead Inspection Services

Mr. Godfrey gave this presentation.

This Request for Action seeks approval to contract with environmental lead inspection firms to perform comprehensive lead inspections for Rhode Island Housing's LeadSafe Homes Program.

The LeadSafe Homes Program is funded with federal funds from the U.S. Department of Housing and Urban Development and with state funds from the Housing Resources Commission. The Program is responsible for the mitigation of lead-based paint hazards in homes with children under the age of six and in homes in which children under the age of six visit regularly.

A Request for Proposals (RFP) was posted on the state's Division of Purchasing website and on Rhode Island Housing's website with proposals due May 18, 2011. Five (5) environmental lead inspection firms responded. Staff reviewed the proposals for professional capacity, cost and previous performance with the LeadSafe Homes Program, and recommends that contracts for services be awarded to all five lead inspection firms at a standardized fee for service.

The lead inspection firms are well-established companies currently operating in the state and certified by the Rhode Island Department of Health. All five firms have provided inspection services to the LeadSafe Homes Program for at least five years. A nine percent (9%) decrease in inspection costs is anticipated. The five inspection firms are listed in Attachment B.

The attached resolution authorizing the engagement of five lead inspection firms identified in Attachment B is recommended for approval.

Upon a motion made by Commissioner Clough and seconded by Commissioner Costantino 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 entered into agreements with the U.S. Department of Housing and Urban Development and with the Rhode Island Housing Resources Commission to administer the state's LeadSafe Homes Program;

WHEREAS: Rhode Island Housing has solicited proposals from lead inspection firms and is authorized to enter into contractual agreements for lead inspection services and;

WHEREAS: Staff of Rhode Island Housing have reviewed each of the submitted service proposals and recommend awarding the contract to the five lead inspection firms listed in Attachment B;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing is authorized to award and enter into contracts with the lead inspection firms listed in Attachment B.

RESOLVED: That the Executive Director, the Deputy Director for Programs and the Director of Development, each acting singly 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 or she 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 or she deems necessary to carry out the above resolutions.

There being no further business to discuss, a motion was duly made by Commissioner Clough and seconded by Commissioner Costantino to adjourn the open meeting at approximately at 9:28 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director