

**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 18, 2011 at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman James DeRentis; 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 Paul Dimeo.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; Tom Hogg, Deputy Director; Amy Rainone, Director of Policy; Carol Ventura, Director of Development; 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 8:34 a.m.

**Approval of Minutes of Board Meeting Held on June 16, 2011**

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

VOTED: That the Minutes of the Board Meeting held on June 16, 2011 are approved.

**Chairman's Report**

Chairman DeRentis did not have anything to report but thanked Richard Godfrey for providing an opportunity to meet with him for an introduction to Rhode Island Housing's procedures. Mr. DeRentis also expressed his appreciation to Governor Chafee for appointing him as Chair of Rhode Island Housing. Chairman DeRentis stated that he is excited about the opportunity to chair the board and expressed his aspirations that his varied experience would make a difference to Rhode Island Housing.

Chairman DeRentis introduced and welcomed Paul Dimeo to the Rhode Island Board of Commissioner.

## **Committee Reports**

There were no committee meetings held during July or August.

## **Executive Director's Report**

Mr. Godfrey congratulated Chairman DeRentis on his appointment as Chair of the Board and also extended a warm welcome to Paul Dimeo.

Commissioner Costantino arrived at this point of the meeting at approximately 8:37 a.m.

Mr. Godfrey referred the Commissioners to his written report which included numerous attachments and briefly commented on several topics of interest.

Mr. Godfrey announced that HUD notified Rhode Island Housing that it is going to redo the process for selecting its PBCA administrator and offered to extend the current contract through March 30, 2012. HUD indicated that the contract extension will be at a reduced fee with fewer duties required. Although the actual terms were not specified, the contract extension, indications are that this decision will have a modest positive impact on the budget for FY 2012.

Mr. Godfrey provided brief comments regarding the impact of national events, (i.e., events surrounding the increase in the federal debt ceiling, ratings downgrade of the federal government) on Rhode Island Housing's operations. No direct impact is anticipated on our large bond issues even though FHA insurance is a major part of the security backing the loans in both the single- and multi- family portfolios. Mr. Godfrey also noted that the stock market volatility has little impact on the Agency's finances. To the extent that bonds gain in attractiveness, both the cost of borrowing and returns on investment go down. Since short term rates cannot drop much lower, Rhode Island Housing is probably overall better off.

Each quarter, staff prepares dashboard charts comparing that quarter's activity with prior years. Mr. Godfrey referred the Commissioners to the report and highlighted this quarter's results for the 2011 fiscal year end. Single family loan originations are down from FY 2010 primarily as a result of the homebuyer tax credit that ended June 30, 2010. Without this acceleration of sales, Mr. Godfrey believes that 2011 would closely match 2010. Multi-family financing activity was quite productive in 2011 but is likely to drop in 2012 with the loss of state bond funds and no new federal stimulus programs. Single family delinquency and REOs continue to climb reflecting the ongoing high levels of unemployment in Rhode Island. Apartment rental activity continues to remain high. However, with budget constraints in 2012 we will likely see drops in RAP and Road Home rentals. The report also showed that tight control on spending yielded savings over the year which offset drops in investment income brought on by low short-term interest rates.

Finally, Mr. Godfrey announced that staff is currently working on a draft of the FY 2012 budget to be presented to the Commissioners at the September 15, 2011 board meeting.

Commissioners Costantino asked for an overview of the budget development process. Mr. Godfrey explained that staff prepares a draft of the budget which is reviewed by the Deputy Directors and Executive Director. The draft budget is then presented to the Budget and Human Resources Committees of the Board of Commissioners. The presentation is reviewed and revised as agreed by the members of the Committees and a recommendation is brought to the full Board of Commissioners for final approval. Mr. Godfrey stated that meetings of the Human Resources and Budget Committees to review the budget would be scheduled within the next few weeks.

### **Firm Approval of Financing for Phoenix Apartments (Medina)**

Mr. Godfrey presented this request

This Request for Action is for Firm Commitment of a reservation of up to \$1,739,217 in 9% Housing Tax Credits (HTC), first mortgage financing of up to \$1,700,000 and up to \$800,000 of Deferred Payment Loan for Phoenix Apartments, formerly Medina Village (the “Development”) in Providence. The developer is a joint venture between Omni Development Corporation and Winn Development (“Omni/Winn”).

Medina Village is an existing scattered site family housing development consisting of twenty-two (22) walk-up apartment buildings on multiple streets in the West End of Providence. Rhode Island Housing acquired the properties and the associated Section 8 HAP contract for all eighty-three (83) units on July 20, 2010 immediately after the Department of Housing and Urban Development (HUD) foreclosed on the original owner. The acquisition price for the Development was \$1. Upon acquisition, Rhode Island Housing transferred the Development to its affiliate, the Rhode Island Housing Development Corporation.

Upon taking title to the Development, Rhode Island Housing (i) initiated a community engagement process; and (ii) issued a Request for Proposals (RFP) to identify a developer to acquire and re-develop all 83 apartments.

As part of Rhode Island Housing’s contract of sale with HUD, the selected development team and the redevelopment plan must be approved by HUD. To expedite the developer selection process, Rhode Island Housing initiated a community engagement process to solicit input from community partners in developing a plan to create a safe and healthy neighborhood around the redevelopment of Medina Village. Valuable feedback was received during this process and it was used to help shape the criteria in an August 2010 RFP to select a developer.

Paramount among the resident and community concerns were the developer’s ability to turn around under-performing properties as well as the quality and responsiveness of the property management entity. Rhode Island Housing received four responses to its RFP. After review, analysis and consultation with two representatives from the neighborhood, at the October 2010 Board of Commissioners meeting, the Board designated Omni/Winn as developer for Medina Village Apartments. The developer applied for HTCs in November and in February 2011, the Board of Commissioners gave preliminary approval for a reservation of HTCs and financing for the Development.

All 83 units in the Development are in various states of disrepair but are generally uninhabitable due to years of deferred maintenance. They have been vacant and boarded for the past year which has led to further deterioration. The poor condition of these properties has contributed to the deterioration of the neighborhood. As a whole, the West End has been heavily impacted by the foreclosure crisis. Many of the Medina properties are surrounded by other foreclosures. In addition, past investment by Rhode Island Housing at several other developments such as Westside Apartments and Operation Hope Renewed as well as many homes financed through the FirstHomes program are located in close proximity to the Medina properties. Rhode Island Housing's objective is to create 83 new rental homes that are safe, healthy, and affordable that will contribute to the revitalization of the entire neighborhood

Each of the 83 units in the Development has Project Based Section 8 assistance (the "HAP Contract). As part of HUD's approval of the redevelopment plan, the new Development must continue to be 83 apartments with the exact same bedroom count currently identified in the Section 8 contract. After detailed review of the properties by the developer and their architect, Omni/Winn proposes to rehabilitate 15 of the 22 existing buildings, demolish 7 buildings and build 5 new buildings. The additional lots for the new buildings were purchased over the past several months by the Rhode Island Housing Land Bank.

The existing buildings to be demolished include properties that are structurally unsound so that rehabilitation is not financially feasible. Two of these sites will remain vacant in order to address inadequate parking for the existing units and to accommodate the development of community space. As part of the comprehensive rehabilitation of the existing structures, the developer will reconfigure certain units where current layouts do not meet Rhode Island Housing's Design and Construction Guidelines, particularly as they pertain to the larger family units. As a result of the foregoing restructuring of the existing development site, the developer will acquire and rehabilitate or demolish/rebuild 5 replacement buildings within the Medina neighborhood to accommodate units from the existing Medina buildings proposed for demolition. The proposed development plan meets HUD's requirement for retaining the same unit count and composition. The proposed construction scope will include substantial rehabilitation of all existing units as well as landscaping/green space improvements, fencing, sidewalk repair, HardiePlank siding, energy efficient windows, Energy Star lights, appliances and insulation requirements, tenant storage space, and the addition of a community room and community laundry facility at 574 Cranston Street. The construction cost per square foot including all site work and remediation is \$111.

In addition to the physical transformation of the site, Omni/Winn has proposed funding of a resident services coordinator/community outreach specialist as well as the creation of a Tenant-Management Committee and Neighborhood Improvement Association. The addition of supportive services for the residents is expected to result in a more stable resident population that is actively engaged in the operations of the development. Omni and Winn have successfully collaborated in the past on resident initiatives which have assisted with the stabilization of neighborhoods. Since Preliminary Commitment, Omni/Winn, has met with the Medina Village residents to present the development plan and to determine a new name and identity for the Development. Phoenix Apartments was selected based on the tenants' aspiration for a transformed community arising out of the dilapidated Medina Village apartments.

The total development cost for the project is approximately \$20,925,000. Sources of funding include: (i) a Rhode Island Housing first mortgage; (ii) a Rhode Island Housing Deferred Payment loan; (iii) syndication equity from the sale of Housing Tax Credits; (iv) HOME Funds; (v) Building Homes Rhode Island funds; (vi) Neighborhood Stabilization Program (“NSP”) funds; and (vii) lead remediation funds. In addition, construction financing will be provided by Bank of America.

Since Preliminary Approval in February of 2011, National Equity Fund (“NEF”) has provided a Letter of Intent to serve as the syndicator for this transaction. Original anticipated pricing of \$.80 for the HTCs has risen to \$.90 per HTC. With this increase in equity, currently projected sources allow for the lowering of the Rhode Island Housing Deferred Payment Loan from \$1 million to \$550,000, while also covering certain cost increases relating to environmental assessments and security, as well as the funding of an operating deficit reserve of \$260,000 which will be required by NEF. However, due to currently outstanding final approval by NEF’s “Credit Committee”, anticipated at the end of August, and the final determination of underwriting rents based on the Rhode Island Housing-commissioned appraisal which is nearing completion, authorization for an “up to” amount for the Deferred Payment Loan is being requested. The actual amount of the Deferred Payment Loan will be determined when these open items are resolved. Additionally, the first mortgage has been reduced from \$2 million to up to \$1.7 million per the syndicator’s requirement and based upon an evaluation of an appraisal and market study. Current construction pricing follows from an extensive evaluation process in which five Rhode Island general contractors submitted bids based on a complete set of plans and specifications prepared by the project architects. Pezzuco Construction (“Pezzuco”) has been selected to join the development team as the general contractor.

With Firm Approval of the requested Rhode Island Housing financing, the transaction will be poised to close in the next 60 days with an anticipated construction start during the fall of 2011. Rhode Island Housing staff has been working with the development team and legal counsel to prepare closing documents and meet all Rhode Island Housing due diligence requirements. Necessary zoning relief for the newly constructed buildings has been secured from the City of Providence. The developer is currently working with Pezzuco to further refine the construction schedule which will include phased delivery of completed units, with the first group of units anticipated approximately nine months after the construction start date. Units will be occupied as they are completed. In addition, the return of former Medina families currently being housed in temporary replacement units, will be a priority under a tenant selection plan which has been drafted by the new management team.

Finally, Rhode Island Housing continues to engage in a dialogue with local, regional and national HUD officials regarding all necessary final approvals for the transfer of the former Medina properties and HAP contract to the new owners. A detailed development plan as well as all other requested documentation has been submitted to HUD for final review and approval in accordance with the anticipated closing/construction start timeline.

Carol Ventura introduced Joe Caffey Executive Director of Omni Development Corporation who thanked the board for their consideration.

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”) 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,** the Applicant listed below has presented an application to Rhode Island Housing requesting an allocation of tax credits to acquire and rehabilitate a residential housing development as follows:

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

**Whereas,** Rhode Island Housing staff 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,** 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 2011 ("the Tax Credit") and for mortgage financing as follows:

| <b>Applicant</b>                                 | <b>Development</b> | <b>9% Tax Credits</b> | <b>1<sup>st</sup> Mortgage</b> | <b>Deferred Payment Loan</b> |
|--|--------------------|-----------------------|--------------------------------|------------------------------|
| Omni Development Corporation/<br>WinnDevelopment | Phoenix Apartments | \$1,739,217           | \$1,700,000                    | Up to \$800,000              |

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

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

**Resolved,** That \$1,739,217 of allocated 2011 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 and 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, Rhode Island Housing hereby gives firm approval of financing for a taxable first mortgage loan to the Omni Development Corporation/WinnDevelopment team, or an affiliated partnership (the “Borrower”) in an amount not to exceed \$1,700,000 (the “Loan”) for family housing located in Providence, Rhode Island.

**Resolved:** That Rhode Island Housing hereby gives firm approval of up to [\$800,000] of Deferred Payment Loan Funds for the Borrower.

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

- Approval by HUD of the transfer to Omni/Winn in accordance with the contract of sale between HUD and Rhode Island Housing; The developer and the approved development team must meet all HUD requirements as may be prescribed
- HUD approval of the final redevelopment plan including the demolition of existing units and replacement with “off-site” units;
- HUD approval under Section 212 identified in the 2010 Appropriations Act for transfer of the project-based Section 8 contract assistance for Medina Village to the redeveloped and newly built units;
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage;
- Rhode Island Housing approval of all development team members;
- Rhode Island Housing approval of the plans and specifications, construction budget, scope of work, and construction documentation;
- Rhode Island Housing approval of the operating budget for the development;
- The developer assumes full responsibility for coordinating the return of temporarily relocated residents back to the rehabilitated properties upon completion;
- The developer and selected development team members will participate in the community engagement process;
- The developer agrees to assume all financial and programmatic obligations from prior loans and grants made to the development;
- The developer must include a resident services coordinator/community outreach specialist; Tenant Management Committee; and Neighborhood

Improvement Association in the planning, implementation and operational phases of the re-development;

- The award of HOME, Building Homes Rhode Island and Lead funds in amounts proposed or the availability of alternative sources of equity satisfactory to Rhode Island Housing;
- Syndication equity from the sale of HTCs in amounts sufficient to achieve project feasibility;
- Acceptable final appraisal and market study by 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;
- Approval by Rhode Island Housing of all management related issues including the Marketing and Tenant Selection Plans;
- Execution of an Intercreditor Agreement with the Construction Lender;
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.

**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.

### **Firm Approval of Revised Financing for Kingstown Crossings I**

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is for firm approval of a revised financing plan for Kingstown Crossings I (the “Development”) 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 consisted of obsolete military housing, retrofitted for civilian use. The Development, with planned future phases, is replacing these buildings with a more vibrant village neighborhood environment. The site has been operated by Crossroads since the 1980s. At the present time, 24 of the 58 new units in the Development are completed and occupied. The remaining 34 units in the Development are 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, the Development 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.

Stratford Capital Group of Companies ("Stratford Capital") has provided Crossroads with a Letter of Intent by which it offered to syndicate the housing credits to provide up to \$3.6 million in equity. This will provide funds to repay the Affordable Housing Trust Loan and a portion of the TCAP, as well as cover some additional costs which are primarily due to two items. The first is a \$600,000 reserve fund required by the syndicator to account for the potential loss of the Section 8 subsidy which is subject to "annual appropriation". At the end of the compliance period, any funds in this reserve will be released to Rhode Island Housing to pay down debt on the Development. The second significant increase is an increase in construction related costs to increase the number of bedrooms as needed to ensure compliance with the Section 8 requirements.

In August 2010, the construction loan was closed in the amount of \$6.2 million. In June 2011, the Board gave preliminary approval to increase the construction loan to \$6.5 million. In order to achieve the full amount of housing credits available for syndication, the previously approved tax exempt construction loan needs to be increased to \$7 million. The previously approved permanent loan amount for the development remains unchanged.

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 by September 30<sup>th</sup>.

The new permanent first mortgage and pass through arrangement remains unchanged from the original 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.

This Request for Action is for Firm Approval of an increase of tax-exempt financing to \$7,000,000 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.

Commissioner Brumberger, designee for Commissioner Raimondo recused due to the Treasurer's position as a member of the board of Crossroads, the sponsor of Kingstown Crossings I.

Upon a motion made by Commissioner Dimeo and seconded by Commissioner McGreevy the following resolution was approved with 6 votes in favor, none opposed; and one recusal from Commissioner Brumberger. Commissioner Brumberger did not participate in the discussion, consideration or vote on this resolution:

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

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) 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:

| Development          | Applicant               | Tax Exempt Loan |
|----------------------|-------------------------|-----------------|
| Kingstown Crossing I | Crossroads Rhode Island | \$7,000,000     |

**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 firm approval of a tax-exempt first mortgage loan to Crossroads Rhode Island, or an affiliated entity (the “Borrower”) in an amount not to exceed

\$7,000,000 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 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 a \$7,000,000 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, 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 up to \$3.6 million in investor equity for the development.

**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.

### **Preliminary Approval of Preservation Financing for West End Apartments, Historic West End II and Lexington Apartments**

Mr. Godfrey presented this request.

This Request for Action (“RFA”) seeks preliminary approval of financing to rehabilitate and preserve three housing developments in the West End neighborhood of Providence.

Women’s Development Corporation (“WDC”), a non-profit housing developer based in Providence, RI, proposes to refinance and preserve West End Preservation (“WEPA”), Historic West End 2 (“HWE2”) and Lexington Apartments (collectively, the “Development”) which collectively consist of fifty-three (53) family housing units located within 21 buildings in the city of Providence’s West End neighborhood. The WEPA and HWE2 buildings, which contain a total of 47 units, were originally constructed circa 1840-1870 and were moderately rehabilitated under Rhode Island Housing’s Rental Production and Housing Tax Credit (“HTC”) programs in 1991 and 1994 respectively. Lexington Apartments is comprised of 2 buildings containing a total of six apartments which were acquired by WDC in 1986 to provide affordable family

housing. The requested financing will preserve 53 existing affordable apartments while improving the quality of life and health of the residents.

WEPA was developed in 1991 with 9% HTCs. The 15-year compliance period for the development expired in 2006. WEPA currently receives Project Based Section 8 assistance for 16 of the twenty-three apartments which provide housing for persons under 50% of AMI. HWE2 was developed in 1994 with 9% HTCs. The 15-year HTC compliance period for that development expired in 2009. HWE II receives Project Based Section 8 assistance for seven of the twenty-four apartments. The balance of the units at both WEPA and HWE2 are rented to households under 60% of AMI at rents that are supported by the market in neighborhood. Lexington has not previously received HTCs, but all six of the Lexington apartments currently receive Section 8 subsidies under a Housing Assistance Payment (“HAP”) through the Providence Housing Authority.

National Equity Fund (“NEF”) served as the tax credit investor/limited partner for the original WEPA and HWE2 transactions. In 2010, the partnerships sought and received approval from Rhode Island Housing of the transfer of NEF’s limited partner interests in the two developments. Subsequently NEF transferred its limited partner interests for a purchase price of \$1 to Women’s Opportunity Realty Corporation, an affiliate of WDC which served as general partner for both developments.

Although the Development has continued to meet the basic needs of its target population for safe and affordable housing, in recent years, the properties have struggled physically and financially. Physically, due to age and deferred maintenance, the building exteriors have been continually cited by the City of Providence and HUD for problems with paint adhesion on the siding and ornate trim of the historic structures. In addition, continued Section 8 assistance is jeopardized due to potential lead hazards.

Financially, the sites have struggled due to low rents and higher than normal vacancies in the non-subsidized units, particularly WEPA where the first mortgage has been in forbearance for the past two years. WDC has been working with Rhode Island Housing for the past several years in an attempt to develop a strategy to refinance WEPA and HWE2 and allow for the refurbishment of the historic structures and family apartments. Due to the relatively small size of the developments and the lack of tax credit investors in general and in particular for this type of housing, a feasible preservation strategy could not be developed. However, with an improving HTC market nationally and a re-emerging interest by investors in Rhode Island, WDC recently identified a syndicator for the combined redevelopment of WEPA, HWE2 and Lexington Apartments. In April of 2011, WDC received a letter of intent from Stratford Capital Group of Companies (“Stratford”) expressing its interest in investing in HTCs generated by the Development. WDC continues to engage in a dialogue with Stratford to refine their investment proposal.

With the identification of a HTC syndicator and the equity to be generated by the HTCs, WDC now proposes to stabilize the properties through approximately \$3.6 million of rehabilitation work. The proposed renovations include addressing the exterior siding and trim, new roofs, doors, kitchen and bath upgrades, structural improvements, landscaping, and site improvements.

The windows at WEPA have been previously replaced through City of Providence's Lead Reduction Program funds and the HWE2 properties are currently undergoing minor weatherization improvements through the Weatherization Assistance Program administered by Rhode Island Housing. The Lexington properties have also received City of Providence lead reduction funding to for window replacement. Collectively, these repairs should position the properties for the next 15 years of tax credit compliance period.

In addition, the first mortgage is being sized conservatively based on the lower of HAP or market for the subsidized apartments and existing rents for the non-subsidized apartments which are slightly below the current 50% tax credit rents. This should obviate the need for future forbearance.

Rhode Island Housing currently holds first mortgage debt on WEPA and HWE2 in the combined total amount of approximately \$935,000. Soft debt from Rhode Island Housing in the form of a Deferred Payment Loan, Tax Credit Capital Improvement Loans and a HOME loan totals approximately \$688,000. In addition, the City of Providence and Citizen's Bank have outstanding loans with the partnerships. Lexington is not currently a part of the Rhode Island Housing portfolio. WDC proposes acquisition by the new limited partnership owner for the combined value of all of the currently outstanding debt on the three developments. The existing Rhode Island Housing debt along with the City of Providence debt will be assigned to and assumed by the new ownership entity rather than repaid in order to provide an additional source for the transaction. The Citizens loan, which is secured by the Lexington property, will be repaid as part of this transaction.

Upon completion the tax exempt first mortgage will be paid down to the permanent loan amount of \$275,000 from syndication proceeds and a portion of the AHT loan. The new owner will sign a 40-year use agreement ensuring long term affordability for families with household income levels of no more than 60% of AMI.

Upon a motion made by Commissioner Barge and seconded by Commissioner Brumberger 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 (30) years and shall be in the approximate amount sufficient to finance the mortgage, to pay the costs of issuance, to fund a Capital Reserve Fund, and to provide the capitalized interest if determined to be necessary;

**Whereas,** the Applicant listed below has presented an application to Rhode Island Housing requesting mortgage(s) consisting of tax-exempt financing to acquire and rehabilitate a residential housing development as follows:

| <b>Development</b>   | <b>Applicant</b>             | <b>Tax-Exempt Loan</b> |
|--|------------------------------|------------------------|
| West End Preservation/<br>Historic West End 2/<br>Lexington Apartments | Women's<br>Development Corp. | \$4,070,000            |

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

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

**Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby preliminarily approves a first mortgage loan to be financed by tax-exempt bonds in amount up to \$4,070,000 to Women's Development Corporation, or an affiliated partnership (the "Borrower") for rental housing located on Gilmore, Bridgham, Arch, Constitution and Wilson Streets and Lexington Avenue in Providence, Rhode Island.

**Resolved,** Rhode Island Housing hereby declares that the preliminary approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing towards the issuance of bonds to finance up to a \$4,070,000 in mortgage funds, the required reserve funds, the related costs of issuance for the Bond issue for the above-named 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 foregoing resolutions are subject to the following conditions:

- Acceptable final appraisal by independent appraiser that supports the purchase prices and demonstrates that the permanent loan does not exceed 90% of the as-stabilized value of the property.
- Provision of an acceptable letter of commitment from an equity provider for the transaction demonstrating syndication proceeds from 4% Housing Tax Credits in amounts sufficient to assure development feasibility.
- Approval by Rhode Island Housing of all members of the development team.
- Approval of the new operating budget.

- Receipt of satisfactory Capital Needs Assessment or other assessment of property condition acceptable to Rhode Island Housing.
- Approval by Rhode Island Housing of construction plans and specifications, and construction documentation.
- Approval by bond underwriter and bond counsel that the loan(s) will satisfy all required bond provisions for the bond issue.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Approval from the Affordable Housing Trust.

**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.

### **Firm Approval of Financing for Woonsocket Village and Village West**

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) seeks firm approval of financing for the acquisition and rehabilitation of Woonsocket Village and Village West.

Atlantic Development, LLC (“Atlantic”), a for-profit housing real estate development and investment company based in Kittery, Maine, proposes the acquisition and rehabilitation of Woonsocket Village and Village West Apartments (collectively, the “Development”), two adjacent family developments in Woonsocket, Rhode Island. This financing will preserve 122 existing affordable apartments while greatly improving the quality of life, safety and security of the residents.

Woonsocket Village was developed in 1975 under the FHA Section 236-mortgage insurance and interest subsidy program. Though not the original lender, Rhode Island Housing is the current mortgage holder of the original 236 loan. The site is an 87 unit family development consisting of 30 one-bedroom, 30 two-bedroom, 22 three-bedroom and 5 four-bedroom units located at 170 Cumberland Street. Woonsocket Village has project based Section 8 assistance pursuant to a Housing Assistance Payment (“HAP”) contract. The developer is seeking a renewal of the existing HAP contract with a 20-year term and rent adjustment to market levels.

Village West, built in 1982 with financing from Rhode Island Housing, is a 35-unit family development located at 182 Cumberland Street, and contains 10 one-bedroom, 19 two-bedroom and 6 three-bedroom units. It also has a project based Section 8 HAP contract which runs through 2012 with rent levels that are close to current market rents.

The two developments are currently owned by the same developer. Although the existing Section 236 first mortgage for Woonsocket Village will not mature for another 6 years, it is eligible for pre-payment as discussed below. The first mortgage for Village West was fully paid

in July of 2006. Though currently separate developments, the two will be considered as one Development moving forward.

Both sites meet the basic needs of its target population for accessible and convenient housing, but the properties suffer from substantial deferred maintenance particularly Woonsocket Village, where the current rents are well below market, generating insufficient surplus cash to undertake any improvements except for immediate repairs for many years. The buildings are 35 years old and require significant rehabilitation. The site is serviced by an underground central heating system that is outmoded and requires replacement. The proposed transaction would enable Atlantic to implement significant capital improvements to the buildings and to bring in a new management team to operate the development.

Atlantic proposes to purchase the existing developments and extensively rehabilitate them in order to significantly improve the living conditions including interior and exterior conditions as well as safety and security at each development. The target population will remain family households with incomes below 60% of median income, though the Section 8 contract allows the Development to serve residents with much lower incomes. No displacement is anticipated as a result of the rehabilitation. Accommodations will be made for residents who may be out of their units during the work day. The owners will sign a 40-year use agreement ensuring long term affordability.

The Sponsor intends to undertake approximately \$5 million in rehabilitation or \$40,000 per unit. Rehabilitation plans call for complete new exteriors including roofing, windows, doors and extensive site work and drainage improvements. Interior plans will include mechanical and electric upgrades, fire protection improvements, kitchen and bathroom renovations and upgrades to meet ADA requirements. The scope of rehabilitation work also includes improving ventilation, insulation and moisture protection to ensure long term viability. An inefficient heating and domestic hot water system at Woonsocket Village will be replaced with a modern energy efficient system. Working with the Woonsocket police, Atlantic will make improvements to the security system to address chronic security problems that have plagued the site.

Since Preliminary Approval in April of 2011, the development team, including the project architects and the proposed contractor, has engaged in a value engineering process allowing for an increased rehabilitation scope within existing budget constraints. Consistent with recommendations from a recently commissioned Capital Needs Assessment, a revised rehabilitation program calls for kitchen renovations for all 122 apartments rather than the 45 apartments which were included in the original scope of work. In addition, defined outdoor patio spaces and additional security measures have been added to enhance the safety and quality of life for the families who reside at the Development

Federal law allows pre-payment of 236 mortgages and allows the owner/purchaser to use the remaining Interest Reduction Payments (“IRP”) to capitalize a new mortgage. This process is known as “decoupling”. Upon completion, the project will have a 40 year tax exempt first mortgage based on the lower of current (or approved) HAP rents or current market rents determined by a Rhode Island Housing commissioned appraisal. Sized at \$7.48 million, the new first mortgage will replace a small existing Rhode Island Housing mortgage, adding a valuable

asset to Rhode Island Housing's loan portfolio. A 5 year second mortgage will be capitalized based on the remaining IRP payments and will be supported by the IRP contract. Other sources include equity from the sale of 4% housing tax credits (HTCs), a deferred developer fee, cash flow from the operation of the property during rehabilitation, and a relatively modest loan from the Affordable Housing Trust ("AHT"). At a per unit total development cost of approximately \$114,000, a relatively modest investment from the AHT will help to significantly improve the physical surroundings and the long term viability of this important family housing resource.

With the improving HTC market and renewed interest in Rhode Island development projects, the Sponsor has identified Boston Capital as the HTC syndicator for this transaction. Boston Capital, which has previously invested in Rhode Island Housing financed developments, has provided a letter of intent expressing its interest in investing in the HTCs that result from the proposed tax exempt financing in this transaction. Boston Capital will require that the operating reserve be increased by approximately \$500,000 to secure against the unlikely event that the Section 8 subsidies were reduced or eliminated. However, after the first seven years of stabilized operation, Boston Capital will authorize an incremental release of a portion of their reserve funds which will be available to repay the AHT loan. In addition, 50% of the available cash flow on an annual basis will be used to repay the AHT loan with full repayment anticipated in less than 15 years.

Following Firm Commitment, the Sponsor will work with Rhode Island Housing staff and Boston Capital to meet all due diligence requirements in order to move the transaction to closing. The parties will strive for a closing in early October in order to take advantage of the current building season. A construction period of twelve months is currently anticipated.

Upon a motion made by Commissioner Barge 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 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, to pay the costs of issuance, to fund a Capital Reserve Fund, and to provide the capitalized interest if determined to be necessary;

**Whereas,** the Applicant listed below has presented an application to Rhode Island Housing requesting mortgage(s) consisting of tax-exempt financing to acquire and rehabilitate a residential housing development as follows:

| <b>Development</b>                  | <b>Applicant</b>             | <b>Tax-exempt Mortgage</b> | <b>IRP Mortgage</b> |
|-------------------------------------|------------------------------|----------------------------|---------------------|
| Woonsocket Village/<br>Village West | Atlantic<br>Development, LLC | \$7,480,000                | \$600,020           |

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

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

**Resolved,** That, subject to the special conditions listed below, Rhode Island Housing hereby gives firm commitment for a first mortgage loan to be financed by tax-exempt bonds in an amount up to \$7,480,000 to Atlantic Development, LLC, or an affiliated partnership (the “Borrower”) for rental housing to be located on Cumberland Street in Woonsocket, Rhode Island.

**Resolved,** Rhode Island Housing hereby declares that firm commitment of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing towards the issuance of bonds to finance up to a \$7,480,000 first mortgage the required reserve funds, the related costs of issuance for the Bond issue for the above- named 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, subject to the special conditions listed below, Rhode Island Housing hereby gives firm commitment for a second mortgage to be financed with taxable funds based on the remaining term of the existing Section 236 mortgage and associated Interest Reduction Payment contract for Woonsocket Village to Atlantic Development, LLC, or an affiliated partnership (the “Borrower”) for rental housing to be located on Cumberland Street in Woonsocket, Rhode Island.

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

- HUD approval of new rents to support the new mortgages;
- HUD approval of prepayment of the Woonsocket Village Section 236 mortgage and decoupling of remaining Interest Reduction Payments (“IRP”) to support the IRP mortgage;
- Acceptable final appraisal by independent appraiser that supports the purchase price and demonstrates that the loans do not exceed 90% of the as-stabilized value of the property.

- Provision of acceptable letter of commitment from an equity provider for the transaction demonstrating syndication proceeds from 4% Housing Tax Credits in amounts sufficient to assure development feasibility.
- Approval by Rhode Island Housing of construction plans and specifications, and construction documentation.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue.
- FHA Risk-Sharing approval for a minimum of 50% of the first mortgage.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Approval from the Affordable Housing Trust.

**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.

#### **Approval of Home Funding Bonds Series 4 and Sub-Series 2B**

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

Staff continuously monitors single family loan origination activity; prepayment speeds of existing mortgages; refunding, recycling and optional redemption opportunities related to bonds; seasonality; bond market tone; short term investment yields applicable to escrowed bond proceeds; and volume cap available to issue tax exempt mortgage revenue bonds. All of these activities have the objective of maximizing our lending flexibility and minimizing our interest costs in order to provide mortgages to low and moderate income borrowers in connection with the purchase of their first home.

Proceeds from the previous issue of single family bonds have been expended and market conditions are appropriate to initiate an issue of new bonds. New bonds will be sold using a new resolution created in December 2009 in conjunction with a Treasury Department program designed specifically to support housing finance agencies. In order to isolate the collateral for the new program, a new resolution was created and named Home Funding Bonds.

This new issue will be composed of a mix of long term bonds purchased by the Treasury Department through Fannie Mae and Freddie Mac (“GSEs”) in an amount of up to \$53 million (Subseries 2-B), and short to intermediate bonds of up to \$37 million (Series 4) sold in the public bond market. This resolution provides flexibility to break this issue into smaller tax plan components to better time the bond sale to match our funding needs.

Upon a motion made by Commissioner Monteiro and seconded by Commissioner Dimeo, the resolution was unanimously adopted in the form presented to the meeting, which Resolution is attached as part of the August 18, 2011 board package.

## Approval of Engagement of Appraisers and Market Study Analysts

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) seeks approval to designate a list of qualified Commercial Appraisers and/or Market Study Analysts to undertake commercial real estate appraisals and market studies for the Development and Loan Servicing Divisions in conjunction with our multi-family lending programs on an as-needed basis.

In April, Rhode Island Housing issued a Request for Qualifications (“RFQ”) seeking proposals from qualified firms. The RFQ was posted on the Rhode Island Housing and State Purchasing websites. Nine firms responded to the RFQ. Six firms are seeking approval to provide both appraisals and market studies. One firm only responded to the appraisal request and two firms responded to only the market study request. The RFQ Review Committee, comprised of Rhode Island Housing staff from the Homeownership, Development and Loan Servicing Divisions, reviewed the proposals. The Committee recommends that the eight firms identified in Attachment B, be qualified to provide commercial real estate appraisal and or market study services to Rhode Island Housing. The ninth firm is not recommended for inclusion because they did not submit all of the RFQ required documentation.

Since the size, type and complexity of commercial real estate appraisals may vary among transactions, qualified appraisers are asked to bid on each appraisal commissioned by the Development or Loan Servicing Divisions. The firms recommended in this RFA will constitute the list of qualified bidders from whom staff will solicit bids and engage appraisal and market study services.

The attached Resolution authorizing the establishment of a list of qualified commercial appraisal and market study firms identified in Attachment B is recommended for approval.

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

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

**Whereas:** Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) requires that various Divisions procure third party independent real estate evaluations for lending, foreclosure, purchase and disposition decisions and:

**Whereas:** Rhode Island Housing has solicited proposals from commercial real estate appraisal and market study firms to qualify said firms in order to engage appraisal and market study services for multi-family developments; and

**Whereas:** Staff of Rhode Island Housing have reviewed each of the submitted Request for Qualifications proposals and recommends that the firms listed in Attachment B be deemed qualified to provide such services;

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

**Resolved:** That Rhode Island Housing is authorized to engage the commercial real estate appraisal and market study firms listed in Attachment B.

**Resolved:** That the Executive Director, either Deputy Director, the Director of Development and the Director of Loan Servicing , each acting singly be, and is hereby authorized to take any and all actions, including specifically the authority to solicit bids from the qualified firms and negotiate engagements of said firms as he or she may determine is in the best interest 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 resolution.

**Approval of Engagement of Career Transition Consultant**

After a brief discussion, this item was tabled for consideration at a future meeting. Staff was requested to determine the practices of other similar public purposes corporations regarding outplacement services, and to analyze the financial impact of this engagement, and to present the results to the Human Resources Committee for a recommendation to the full Board.

**Executive Session Pursuant to R.I.G.L. Sec. 42-6-5(a)(2) Regarding Litigation - HUD's PBCA Award**

Upon Mr. Godfrey's notification that HUD had extended the existing PBCA contract to allow time to evaluate and resolve its issues without litigation, the Board determined that there was no need for an Executive Session.

There being no further business to discuss, a motion was duly made by Commissioner McGreevy 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