

**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 15, 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; and Paul Dimeo. Jose Monteiro was absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; Kara Lachapelle, Director of Finance and Technology; Amy Rainone, Director of Intergovernmental Relations; 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 DeRentis called the meeting to order at approximately 8:36 a.m.

Approval of Minutes of Board Meeting Held on August 18, 2011

Commissioner Brumberger requested that the minutes be amended to reflect that it was Chairman DeRentis who called the meeting to order and not Chairman Noble.

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

VOTED: That the Minutes of the Board Meeting held on August 18, 2011 are approved.

Chairman's Report

On behalf of the Board of Commissioners, Chairman DeRentis extended his deepest sympathies to Rhode Island Housing staff on the passing of its Deputy Director, Tom Hogg. Chairman DeRentis noted that his prayers and thoughts are with Tom Hogg's family, his friends and all his coworkers. Chairman DeRentis also reflected on the successful leadership that Mr. Hogg brought to not only Rhode Island Housing, but to all his endeavors. Mr. Hogg was a great man who will be dearly missed.

Committee Reports

Human Resources Committee

Chairman DeRentis noted that meetings of the Human Resources and Budget Committees were held on September 1, 2011. Copies of the minutes of the Human Resources and Budget Committees were previously distributed to the Commissioners.

Chairman DeRentis gave a brief overview of the deliberations of the Human Resources Committee, with additional comments from Commissioner McGreevy. Chairman DeRentis noted that the compensation recommendations of the Human Resources Committee have been incorporated into the proposed fiscal year 2012 budget, which had been considered by the Budget Committee. In addition, Chairman DeRentis reported that the Human Resources Committee had considered the question of engaging a career transition consultant, which had been tabled at the August Board of Commissioners meeting, and that the Human Resources Committee recommends the engagement as proposed by staff. Chairman DeRentis proposed voting on this issue and called for a motion to approve the transition consultant request.

Engagement of Career Transition Consultant

Due to the combination of a number of factors, including the ongoing softness of the overall Rhode Island economy, the diminished earnings of our loan portfolio and the possible loss of a significant contract with HUD, Rhode Island Housing may need to reduce staffing in response to these developments.

Staff determined that outside assistance in the following area was needed to assist employees who may be affected by a possible reduction in force, and to ensure that we are able to continue to carry out our mission.

- Dealing with change and personal resiliency.
- Resume writing and interviewing techniques.
- Effective job search skills and training to assist effective career and job transitioning.

The exact services will be discussed and designed from time to time during the term of the engagement between Rhode Island Housing and the provider, as circumstances warrant.

In July, Rhode Island Housing issued a Request for Proposals (RFP) from experienced career transition consultants to provide services should a reduction in force become necessary. The RFP was posted on the website maintained by the Rhode Island Division of Purchasing and was provided directly to several experienced consulting organizations.

The following firms submitted proposals:

- Lee Hecht Harrison
- OI Partners - Lifocus

- Transitions Solutions

Following evaluation of each proposal, staff recommended that Lee Hecht Harrison be engaged to provide organizational development services. Lee Hecht Harrison was chosen because it is very experienced in conducting outplacement services programs, offered a variety of proposed solutions that can be easily tailored to meet our changing needs, and proposed a fee structure that was flexible and lower than the other proposers. The proposed fee to provide these services for 20 employees was \$8,700, which was significantly less than the fees proposed by the other respondents.

This item was presented for approval at the August Board of Commissioners meeting; however, the Board decided to postpone consideration of the request so that staff could respond to questions that surfaced at the meeting.

Two principal issues were raised. First, there was a concern that if Rhode Island Housing provided outplacement services to employees, we would be establishing a precedent that other public agencies might not be able to meet; and second, whether the provision of outplacement services would pay for itself through decreased expenses to Rhode Island Housing. Staff investigated these issues and presented findings to the Human Resources Committee of the Board on September 1.

As to the first point, staff reached out to a number of similar public corporations to determine whether they have offered, or would consider offering, outplacement services in the case of a reduction in force. We received responses from the following organizations:

- Rhode Island Airport Corporation – RIAC has used outplacement consultants in past reductions in force. RIAC engaged the firm of Lee Hecht Harrison, the firm that Rhode Island Housing is proposing to engage. In addition, some RIAC employees are represented by unions, and the contract contains provisions dealing with layoffs.
- Rhode Island Economic Development Corporation – RIEDC recently experienced a downsizing and offered affected employees outplacement services. RIEDC engaged the firm of Lee Hecht Harrison, the firm that Rhode Island Housing is proposing to engage, and were very satisfied with their services.
- Narragansett Bay Commission – NBC has not had any reductions in force so have not had the need for these services. There are 2 unions representing employees at NBC and their counsel believes that the union contracts contain provisions dealing with layoffs.
- Rhode Island Student Loan Authority – RISLA had a small reduction in force about a year ago and decided that there was no need for outplacement services due to the nature of the reduction.

As to the second point, the following analysis may be useful. Based on the worst case budget scenario we project a reduction in force of 18 employees. Since Rhode Island Housing is self-insured for unemployment benefits, all unemployment benefits paid to laid-off employees are a direct cost to the organization. Based on current unemployment weeks of coverage and payment levels, Rhode Island Housing has a potential exposure of approximately \$25,000/per person (\$551 week for 46 weeks), or about \$450,000 overall. Data from the Bureau of Labor

Statistics show that the average time to reemployment is about 32 weeks, which indicates a possible exposure to Rhode Island Housing of approximately \$17,600 per person, or about \$316,800 overall.

The estimated cost to provide basic outplacement services for up to 20 employees is \$8,700. According to Lee Hecht Harrison, the average time to reemployment for employees who go through their program is about 18 weeks. Rhode Island Housing's exposure in that case would be about \$10,000 per employee, or \$180,000 overall. The expenditure of \$8,700 for outplacement services will likely reduce our overall exposure for unemployment benefits by about \$270,000 in the worst-case scenario, and \$136,000 in a more optimistic scenario.

Staff presented this information to the Human Resources Committee. Following this presentation, the Human Resources Committee unanimously voted to recommend to the full Board that the firm of Lee Hecht Harrison be engaged to provide career transition services to displaced or at-risk employees should a reduction in force be necessary in the future. A copy of the Human Resources Committee minutes is included in the Board package.

Upon a motion made by Commissioner Barge and seconded by Commissioner Dimeo 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") may experience a reduction in force over the next several months; and

WHEREAS: Rhode Island Housing has a need for outside assistance in managing the process in order to best meet the needs of Rhode Island Housing and the affected employees; and

WHEREAS: Staff recommends that Lee Hecht Harrison be engaged to provide necessary career transition services as determined necessary by staff.

NOW, THEREFORE IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and it hereby is authorized, to engage Lee Hecht Harrison to provide career transition services to displaced or at-risk employees should a reduction in force become necessary.

RESOLVED: That the Executive Director and any Deputy Director, each acting singly be, and hereby are, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

Budget Committee

Commissioner Dimeo, chair of the Budget Committee, presented the Budget Committee report.

The Budget subcommittee met at approximately 10:00 a.m. on September 1, 2011. A copy of the minutes of the Budget Committee had been previously provided to the Commissioners.

Staff presented information and documents associated with the proposed fiscal year 2012 Budget. The presentation was composed of three parts: (1) an overview of the operating context for our activities and the objectives for our programming this year, (2) a description of the six major components of financial projections in the Budget and resulting net revenues, and (3) a discussion of rating agency considerations used in their reviews.

Mr. Godfrey first described the operating context for the budget, particularly with regard to reduced revenues and the mandated funding for NOP. This will require significant cuts to operating and program budgets. While operating costs have been trimmed in prior years, this will be the first major reduction in program spending in more than 20 years. Operating support for the core business lines, single family and multi-family lending, is critical as is maintaining the asset strength necessary to assure access to lending markets. The overall budget strategy for 2012 is to closely match revenues and expenses while shifting to a lower funding base line. As business income rebounds with the economy, Rhode Island Housing can then re-grow its non-revenue-generating assistance to external partners and customers.

Staff then described major elements of the balance sheet and the revenue/expense statement. Single-family loan production was down in 2011 and is forecast to be low by historical standards in 2012, but prepayments should be lower as well. The Treasury Department bond purchase program will be of significant help to us again in 2012. Net interest income is the largest component of income and is expected to remain flat at last year's level, especially considering the near zero level of investment yield available on our escrow assets. Fee income, which reimburses us for expense associated with lending and administration of federal programs, is projected to be lower than last year due to a reduction in fees related to the Section 8 Contract Administration Program.

Ms. Lachapelle described the operating and programmatic budgets for 2012. With regard to operating expenses, management philosophy is focused on controlling expenses at levels below budget. The actual expenses for 2011 were under budget by \$1,399,000 or 6.49%. The budget for 2012 reflects a decrease as compared to 2011 budget of \$425,000 or 1.97%.

Ms. Bodington explained the rationale for cuts in spending necessary to reduce the program budget from an annual 2011 budget of \$9,380,000 to \$6,849,000 in 2012. The bulk of the cuts are to the State Rental Assistance Program (State RAP). Reductions will be achieved by refinancing the remaining developments in the program, ending State RAP subsidies upon turnover, and implementing minimum rent payments for tenants. The Road Home Program will continue subsidies for current tenants. Other major reductions are in grant assistance to our non-profit community partners and municipal planning grants. Implicit costs of deferred loan programs will be reduced from \$5,096,000 to \$3,281,000.

Also discussed was the provision for loan loss and expenses related to real estate owned properties. Staff described the methodology for calculating the provision which is in line with other lending institutions and reviewed annually by our external auditors.

Lastly, considerations used by the rating agencies were described. Our general obligation rating comes from Standard & Poor's and benchmarks used by them are monitored as an especially important discipline for our financial management. Copies of a report comparing certain financial benchmarks for all HFAs was discussed and provided to committee members.

Following additional discussion, the Budget Committee voted to recommend to the Board of Commissioners the 2012 Budget as presented.

Commissioner Costantino arrived at this point of the meeting at approximately 8:45 a.m.

A brief discussion followed the presentation. Commissioner Costantino requested that a budget narrative be provided to give context about what is included in the various line items of the budget.

Upon a motion made by Commissioner Brumberger and seconded by Commissioner Barge, the following resolution was unanimously adopted along with the FY 2012 Budget which is attached as part of the September 15, 2011 board package.

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

Resolved: That the fiscal year 2012 Budget of the Corporation as set forth in Attachment B is hereby approved.

Executive Director's Report

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

Approval of Firm Commitment of Financing for Marshfield Commons

Mr. Godfrey presented this request.

This request is for a reservation of up to \$1,033,387 in 2011 or 2012 9% Housing Tax Credits ("HTC") and firm commitment of up to \$625,000 in first mortgage financing for Marshfield Commons (the "Development") located in North Smithfield. The sponsor is NeighborWorks Blackstone River Valley ("NBRV"). Marshfield Commons received a forward reservation of \$1,087,059 2012 HTCs and preliminary commitment of financing at the February 2011 Board meeting, but increased sources since this time have reduced the recommended reservation by \$53,672 HTCs.

Marshfield Commons will provide 38 new units of affordable apartments on a six acre site formerly owned by Rhode Island civil rights leader Metcalf Marsh. Approximately 75% of the wooded property will remain as natural open space and a new, curb-less private road will be constructed tying in town sewer and water to 18 new construction townhouse style buildings. The buildings will have driveways, decks or patios and yards. The subdivision site will be built around a central green. The Development will provide 1 one-bedroom apartment, 17 two-bedroom apartments, and 20 three-bedroom apartments. A management office and community space will be located within a one-story building resembling the original historic farmhouse currently at the site. One-half of the homes will have rents at 50% of Area Median Income (AMI) and the balance will have rents at or below 60% AMI. The Development will provide affordable homes within a relatively affluent suburb where median incomes are above the State average and there are few affordable family rental homes.

Total construction costs are approximately \$6.25 million. This Development site abuts several house lots and wetlands with steep slopes on two sides of the property. Existing sewer, gas and electric utilities will be extended from Mechanic Street directly to the site. Currently, there is no water line to the site so a new line must be installed from the nearest location which is approximately 1,200 feet away. Site work is estimated at \$1.5 million, and in addition to installation of the utility infrastructure site work will include clearing and leveling the land, road construction and drainage. The buildings are designed as attached and semi-attached townhouse units. The layout of the Development takes into account the natural grade of the land while accenting the adjacent existing neighborhood housing styles. The buildings are slab on grade to reduce construction costs and to manage subsurface conditions. The buildings are tightly clustered to maximize open space. The Development will be built to Energy Star standards and storm water management techniques such as reducing impervious surfaces and retaining and treating storm water will be utilized.

This Development exhibits many KeepSpace qualities. It will provide good, healthy and affordable homes. The neighborhood is walkable and within close proximity to the center of Slatersville. The Development is located near major interstate routes and public transportation is within walking distance. Several services are planned for tenants including job training, leadership training, counseling, financial fitness and literacy training through collaborations between the Town of North Smithfield, Family Resources Community Action, the property manager and staff of NBRV.

Since preliminary commitment, NBRV has made significant progress. The town has granted final subdivision approval. Plans and specifications were completed. Through a competitive bid process, a general contractor was selected at a cost lower than initially estimated. Bank of America was selected as the HTC syndicator and the tax credit yield will generate approximately \$850,000 more than originally anticipated due to increased demand in the market for tax credits. Bank of America will also provide construction financing. In addition, the Development has received a Community Development Block Grant (“CDBG”) award for more than originally anticipated.

In conjunction with Citizens Bank, NBRV received a subsidy and grant award (the “Subsidized Advance”) from the Federal Home Loan Bank of Boston (“FHLBB”). The Subsidized Advance

allows Citizens to lower the rate and maximize the size of the first mortgage. Because of the HTCs and public subsidy dollars invested in the Development, Rhode Island Housing prefers to be in the Senior Loan position in order to ensure compliance with the various program requirements. As we have done with other lenders, the Subsidized Advance will pass through Citizens Bank, which is 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 Citizens Bank to Rhode Island Housing will be non-recourse, and will be secured by a pledge of the loan documents from Rhode Island Housing to the new Limited Partnership.

Based on the higher tax credit yield, additional CDBG and lower construction pricing, the amount of overall subsidies needed to complete the Development has decreased. The total development cost for this project is approximately \$11,000,000. Sources of funding include: (i) a Rhode Island Housing first mortgage; (ii) equity from the sale of Housing Tax Credits; (iii) Building Homes Rhode Island funds; (iv) an award of Affordable Housing Program grant funds from the Federal Home Loan Bank (sponsored by Citizens Bank); (v) Community Development Block Grant funds from the Town of North Smithfield; and (vi) a sponsor loan from NeighborWorks Blackstone River Valley.

Upon a motion made by Commissioner Dimeo 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") 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 years 2011 or 2012 ("the Tax Credit") and for mortgage financing as follows:

Development	Applicant	9%Tax Credits	First Mortgage
Marshfield Commons	NeighborWorks Blackstone River Valley	\$1,033,387	\$625,000

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 enabling legislation, regulations, guidelines and policies;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That \$1,033,387 of allocated 2011 or 2012 housing tax credits be reserved for the Applicant pursuant to Section 3 of the Rules and Regulations of the Corporation applicable to the Allocation of Low-Income Housing Tax Credits (the "Rules and Regulations of the Corporation"), and that the Executive Director, either Deputy Director, or the Director of Development each acting singly be, and hereby is, authorized and empowered in the name of and on behalf of Rhode Island Housing to take any and all action necessary to cause such reservation to be effective; and further, that a final allocation shall be made at such time as the applicant complies with the requirements of the Act and the Rules and Regulations.

Resolved, That, subject to the special conditions listed below, the Rhode Island Housing hereby gives firm approval of financing for a taxable first mortgage loan to NeighborWorks Blackstone River Valley or an affiliated partnership (the "Borrower") in an amount not to exceed \$625,000 (the "Loan") for family housing located in North Smithfield, Rhode Island.

Resolved, That, in order to fund Rhode Island Housing's loan to Marshfield Commons, Rhode Island Housing may enter into a \$625,000.00 loan arrangement (the "Loan") with Citizens Bank substantially in accordance with the terms outlined in this Board Action; and

Resolved, That Rhode Island Housing may secure the Loan by granting to Citizens Bank 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 Marshfield Commons.; 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 Citizens Bank as Citizens Bank

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, the foregoing resolutions are subject to the following conditions:

- The award of Building Homes Rhode Island and Community Development Block Grant funds sufficient to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing;
- Syndication equity from the sale of HTCs in amounts sufficient to achieve project feasibility;
- Rhode Island Housing approval of the plans and specifications, construction budget, scope of work, and construction documentation;
- Acceptable final appraisal and market study by an independent appraiser demonstrating that the first mortgage loan does 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;
- Agreement between Citizen's Bank, NRBV and Rhode Island Housing as to a mortgage pass-thru structure within 45 days of this board action that will allow Rhode Island Housing to be the first mortgage lender of record;
- 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.

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

Preliminary Approval of Preservation Financing for Omni Development Corporation

Mr. Godfrey made this presentation.

This request seeks preliminary approval of financing to rehabilitate and preserve four existing housing developments in Providence. Omni Development Corporation (“Omni”), a non-profit housing developer based in Providence proposes to refinance and preserve 1890 House, Harvard Broad Apartments (“Harvard Broad”), Whitmarsh Apartments (“Whitmarsh”) and Niagara Place (“Niagara”) Apartments (collectively, the “Development”). Together the Development will consist of 95 elderly and family housing units located in 5 buildings in downtown Providence, the Southside and the Elmwood neighborhoods in Providence. Upon refinancing, the sites will operate as one development.

Harvard Broad, Whitmarsh and Niagara Apartments are currently in the Rhode Island Housing portfolio. Harvard Broad has 9 units in 2 buildings which were built in 1875 and 1898. Whitmarsh, built in 1914 has 16 units in one building. Both Harvard Broad and Whitmarsh were moderately rehabilitated under Rhode Island Housing’s Rental Production and Housing Tax Credit (“HTC”) programs in 1994 and 1998. The initial compliance periods for the two projects expire(d) in 2009 and 2013 respectively. National Equity Fund, the investor limited partner in both transactions has indicated that they will allow a refinance of Whitmarsh prior to 2013 without penalty. Niagara, which has 18 units, was originally built in 1988 and was financed by Rhode Island Housing in 1994 but no HTCs were utilized. There are no project based Section 8 certificates attached to any of these 43 units though some of the residents have Section 8 vouchers. Unit sizes range from 1 to 4 bedrooms.

1890 House has 22 efficiency and 31 one-bedroom apartments. Fifty two (52) of these apartments are subject to a Project Based Housing Assistance Payment (“HAP”) contract. Many of the current residents are non-elderly disabled. Omni purchased 1890 House in January 2011 from the previous owner who had notified HUD that he was “opting out” of the Section 8 program. Omni secured an acquisition loan from the Corporation for Supportive Housing (“CSH”) for the purchase of the property. The loan has a three year term and is pre-payable at any time. As a condition of providing the acquisition loan CSH, Rhode Island Housing guaranteed Omni’s obligations under the Note.

1890 House was 50% vacant when purchased by Omni in 2011. Working with their management company WinnResidential, they have rented all but a few of the vacant units. Omni has intentionally left several of the units vacant to simplify relocation issues during rehabilitation. Many of the current residents are non-elderly disabled persons who would benefit from supportive services. From the onset, Omni’s plans have presumed that they would endeavor to identify sources in order to provide supportive services for the residents. Given CSH’s mission to stem homelessness and create supported housing opportunities for the

chronically homeless, they provided acquisition financing for the site. CSH has assisted Omni in entering into a services agreement with Riverwood Mental Health Services. The agency is providing case management for many residents of the development.

1890 House is operating efficiently though it has significant deferred maintenance needs including a new roof, new windows and other exterior envelope upgrades, improvements to the current fire alarm system, unit upgrades and common area improvements. In addition, the heating system is currently electric and Omni expects to convert to a new gas boiler with a hot water system which should lower operating expenses. As part of the refinancing, Omni intends to request a budget based rent increase and a 20 year HAP contract from HUD.

Harvard Broad Apartments, Whitmarsh Apartments and Niagara Apartments are small stand alone developments that have experienced intermittent operating difficulties over the past 15 years. One or two vacancies due to turnover can lead to significant financial hardship since it pushes vacancies over 10% in a small development. The limited revenue also leads to deferred maintenance. Due to the relatively small size of the developments, individually they would not attract a tax credit investor and a feasible preservation strategy would be difficult to develop. Combining these three sites with 1890 House will stabilize all of the sites financially for the long term by reducing duplicative costs and creating economies of scale in the operating budget. The proposed rehabilitation at these sites includes boiler replacements, window and roof replacement, kitchen and bath upgrades, and site improvements. Capital Needs Assessments have been completed for all four properties and Omni is working with an architect to develop plans and specifications that will define the rehabilitation scope.

National Equity Fund (“NEF”) and Omni are negotiating a purchase of the HTC’s to be generated by the Development. In addition, all of the sites but Niagara are eligible for federal historic tax credits which will provide additional equity. In total, the requested financing will preserve 95 existing affordable apartments while improving the quality of life and health of the residents. The first mortgage is being sized conservatively based on the lower of HAP or market for the subsidized apartments and existing tax rents for the non-subsidized apartments which are generally at or slightly below the current 50% tax credit rents.

While the City of Providence holds the first mortgage on Harvard Broad, Rhode Island Housing currently holds first mortgages on Whitmarsh and Niagara and subordinate debt on all three developments. There is additional subordinate debt owed to the current general partner and syndicator as well. CSH holds the mortgage on 1890 House. Omni proposes acquisition by the new limited partnership owner for the combined value of all of the currently outstanding debt on the four developments. All of the first mortgages are expected to be repaid in full while a majority of the subordinate 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.

This Request for Action is for preliminary approval of tax-exempt construction financing in the amount of \$5,000,000, of which \$2,500,000 will remain as a permanent first mortgage. Other sources include equity from the sale of 4% housing tax credits which come with the issuance of the tax exempt bonds, equity from the sale of federal historic tax credits, a seller held loan, assumption of existing debt with Rhode Island Housing and the current general partner by the

new ownership entity, Fire Code Funds from Rhode Island Housing, a loan from the Affordable Housing Trust (the “AHT”), HOME Program funds and a grant under the McKinney Vento Supportive Housing Program.

Upon completion the tax exempt first mortgage will be paid down to the permanent loan amount from syndication proceeds. The new owner will sign a 40-year use agreement ensuring long term affordability

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

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

**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:

Development	Applicant	Tax Exempt Loan
1890 House, Harvard Broad, Whitmarsh and Niagara Apartments	Omni Development Corporation	5,000,000

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 \$5,000,000 to Omni Development Corporation, or an affiliated partnership (the “Borrower”) for rental housing located on Washington Street, Harvard and Broad Streets, Whitmarsh Street and Niagara Street 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 \$5,000,000 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 new 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 and federal historic tax credits in amounts sufficient to assure development feasibility.
- Approval of HOME and McKinney Vento funds sufficient to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing funds.
- 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, General Contractor selection, and construction documentation.
- Approval by bond underwriter and bond counsel that the loan 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.

Approval of Transfer of Physical Assets (TPA) for Centennial Houses, L.P.

Mr. Godfrey gave this presentation.

This request is for approval of the transfer of the current limited partnership interest in Centennial Houses to the original non-profit sponsor of the property.

Centennial Houses (the “Development”) is a 17 unit scattered site affordable family housing development located in seven buildings in Central Falls. The Development was originally financed in 1995 under the Housing Tax Credit Program and utilized financing from Rhode Island Housing. The Development contains seven two bedroom units and ten three bedroom units. All apartments are affordable and are restricted through 2027.

The owner of the Development is Centennial Houses, L.P. The current co-general partner is Central Falls Centennial Houses, Inc., a Rhode Island Corporation that holds a 1% interest in the partnership, the sole shareholder of which is REACH. The original investor limited partner in the Development was National Equity Fund 1994 Limited Partnership (NEF), which held a 99% limited partner interest.

The initial tax credit compliance period for the Development expired at the end of 2010. Accordingly, the financial benefits of the tax credits and depreciation losses have been substantially realized by the original tax credit investor. The general partner of the development is an affiliate of Realty Endeavors for Affordable Community Housing, Inc. (REACH), the original sponsor of the Development. On January 14, 2011, NEF transferred their limited partnership interest to REACH. REACH has requested Rhode Island Housing’s approval of the transfer of the limited partner interest to REACH.

REACH and staff from Rhode Island Housing’s Development and Loan Servicing Divisions began meeting in 2010 to discuss potential post year 15 operations for the Development. The Development has been affected by the slow economy. Operating expenses have outpaced growth and the physical condition of the development is beginning to deteriorate. The first mortgage is currently in forbearance. The original plan was to re-syndicate the development using tax exempt bonds and 4% housing tax credits. However, the economic downturn rendered that option infeasible, at least in the near term. The goal of the TPA is for REACH to obtain control of the Development and subsequently refinance and/or rehabilitate the Development along with additional properties that are also near the end of their initial compliance periods in order to stabilize operations, address current capital needs and ensure that they are able to continue to provide safe, decent affordable housing.

The Development does have outstanding capital improvement needs estimated at \$500,000 and as mentioned is struggling financially. However, Ferland Management has been managing the property prudently given the constraints and has been able to address the most significant issues. It is in the best interest of the Development for REACH to own 100% of the Development as the agency determines how best to refinance and rehabilitate the property for the long term. The management team for the property will remain unchanged.

Staff has reviewed the request under the Rules and Regulations Governing Proposed Prepayments or Transfers and has determined that the transfer of NEF's limited partnership interests to REACH is in the best interests of the Development. This Request for Action ratifies the transfer.

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**

RESOLVED: That the transfer of the limited partner interest in Centennial Houses, L.P. by National Equity Fund 1994 Limited Partnership to Realty Endeavors for Affordable Community Housing, Inc. be, and hereby is, approved, subject to the following terms and conditions:

1. Receipt by the Corporation of all application materials required in Phases 2 and 3 of the Regulations Governing Proposed Prepayments and Transfers, with the exception of such requirements as may be waived or modified by the Executive Director, consistent with the nature of this transaction and the protection of the interests of the Corporation.
2. Satisfaction of any additional requirements that the Executive Director believes to be necessary or advisable to protect the interests of the Corporation with respect to the Housing Development.

RESOLVED: That the Executive Director, and any Deputy Director, each acting singly, be and hereby is authorized to execute and deliver on behalf of the Corporation all documents necessary or advisable to consummate such transfer and to take such further actions as he or she shall deem necessary or advisable in connection therewith.

Authorization of Revolving Construction Loan for Olneyville Housing Corporation

Mr. Godfrey made this presentation.

This request is for authorization to extend the revolving construction loan for Olneyville Housing Corporation ("OHC") for a two-year term to support the development of new homes and the rehabilitation of existing structures in the Olneyville neighborhood of Providence.

In October, 2001, the Board of Commissioners authorized the creation of the Home Development and Homeownership Loan Program (the "Program"). Over the past ten years, this Program and its predecessor, the Demonstration Home Development and Homeownership Loan Program, has allowed several non-profit organizations to finance the construction and

permanent financing of over 100 homes in Providence that have been sold to first time homebuyers.

OHC has been working to revitalize the Olneyville neighborhood for over twenty years, and has developed approximately 75 rental units and 30 homeownership units. In April 2009, Rhode Island Housing entered into a Loan Agreement with OHC under the Program. The current Loan Agreement has expired and Rhode Island Housing and OHC's desire to extend the Loan Agreement to permit OHC to continue the work of OHC to stabilize the neighborhood, which is particularly important as a result of the foreclosure crisis.

This revolving loan will be used for construction costs relative to the development of new homes or rehabilitation of existing homes in the Olneyville neighborhood. OHC intends to use City of Providence HOME funds, City of Providence Neighborhood Stabilization Program ("NSP") funds and City of Providence Lead Funds to make up the balance of the financing needed for each of the individual projects. The Rhode Island Housing construction loan will be repaid from the proceeds realized from the sale of each property.

Given OHC's past success, the Development Division is recommending that the revolving loan be extended for two years at the current maximum outstanding loan amount of \$500,000 and under the same terms and conditions as in the current loan, except as set forth below, to fund OHC's continuing homeownership development activities. Under the agreement, OHC will be able to develop up to three homes at any time, but no more than two rehabilitations at one time. At least two of the three homes must be pre-sold to qualified buyers prior to Rhode Island Housing making a construction loan, minimizing the risk of increased carrying costs due to the inability to sell the homes. The loan amount will be the lower of the appraised value (based on a Rhode Island Housing commissioned appraisal) or the sales price of the homes. OHC's authority to borrow under this agreement will expire in 24 months.

OHC will build at least one of the units in collaboration with YouthBuild, a program of the Providence Plan that provides hands-on training and skills-building instruction in the building trades for young men and women. The two groups are collaborating on the rehabilitation of foreclosed homes and the new construction of homes on abandoned, derelict vacant lots in the Olneyville section of Providence. OHC and YouthBuild offices are located in the same office building in Olneyville and both have been actively working on community building and the betterment of the Olneyville neighborhood.

YouthBuild Providence has a demonstrated track record with constructing new housing to support affordable housing needs in Providence's distressed neighborhoods. In the 13-year history of the program, YouthBuild has constructed or rehabilitated more than 15 units of housing. Historically, the program has partnered with CDCs to develop units of affordable housing while creating a positive learning environment for YouthBuild students to develop construction skills. YouthBuild Providence has a strong relationship with Habitat for Humanity of Rhode Island and recently completed the construction of a house at 36 Julian Street collaboration with OHC.

OHC has responded to the foreclosure crisis which hit Olneyville particularly hard. This foreclosure activity, and the abandoned buildings, property value deflation, and uncertainty left in its wake, is a direct threat to the neighborhood stability and sense of community that OHC and its partner organizations have worked so hard to achieve since its inception. For these reasons, Olneyville Housing Corporation has been compelled to undertake a Foreclosure Intervention Initiative to arrest this negative momentum in the interests of the neighborhood constituency.

As with previous loans under this loan program, the Homeownership Division will pre-qualify applicants with purchase and sales commitments to purchase homes. The homes will be sold to first time low and moderate-income homebuyers at or below 80% of median income. A provision will be made to allow for the sale of homes to buyers with incomes at or below 115% of median if no HOME funds are used and an appraisal supports the higher loan and sales price.

The interest rate for each mortgage under the Master Loan will be set at the one-month LIBOR plus 3.5%, with a rate floor of 4.50% and cap of 7.50%. The rate for each individual mortgage will be set at closing.

Frank Shea, Executive Director of Olneyville Housing was present to respond to questions from the Commissioners.

Upon a motion made by Commissioner Costantino and seconded by Commissioner Dimeo 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 sponsors for such developments as in the judgment of Rhode Island Housing have promise of supplying well planned, well designed single family and two family homes which will provide housing for low and moderate income persons or families or others in locations where there is a need for such housing; and

Whereas, Rhode Island Housing is authorized to provide permanent financing with assistance, as applicable, to homebuyers; and

Whereas, Olneyville Housing Corporation (OHC) has entered into a loan agreement with Rhode Island Housing under the Home Development and Homeownership Loan Program (the “Program”) for a revolving line of credit to construct residential housing in the Olneyville neighborhood of Providence; and

Whereas, the current Loan Agreement has matured and OHC has requested that Rhode Island Housing extend the Loan Agreement for an additional 24 months as set forth in this Request for Action; and

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 Rhode Island Housing be and hereby is authorized to extend the current Loan Agreement for 24 months, structured generally in accordance with the description contained herein, with such changes as the Executive Director, either Deputy Director or the Director of Development may, in their sole discretion determine to be necessary or advisable.

Resolved, That the Executive Director, either Deputy Director or the Directors of Housing Development and Homeownership, each acting singly, be and hereby is authorized, empowered and directed to take any and all action to execute, file and deliver any contract, agreement or other instrument as each in his/her sole discretion shall deem necessary or advisable in connection with this loan.

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

1. Execution of an amendment to the Master Loan Agreement by Olneyville Housing Corporation satisfactory to Rhode Island Housing.
2. Submission of all construction contracts, plans and specifications, marketing plans, construction budgets, schedule of payments, lien releases, gap HOME funds, home buyers applications and other documentation necessary for loan funding and construction loan and end loan approval.
3. Rhode Island Housing Homeownership Division approval of all end loans for homebuyers.

There being no further business to discuss, a motion was duly made by Commissioner Barge and seconded by Commissioner Brumberger to adjourn the open meeting at approximately at 9:40 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director