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MINUTES OF MEETING
OF THE
BOARD OF COMMISSIONERS

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, January 19, 2012 at 9:15 a.m. 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; Joseph Pratt designee for General Treasurer Gina Raimondo; Paul Dimeo and Jose Monteiro. Steven Costantino 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 9:15 a.m.

Approval of Minutes of Board Meeting Held on December 15, 2011

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

VOTED: That the Minutes of the Board Meeting held on December 15, 2011 are approved.

Chairman's Report

Chairman DeRentis welcomed everyone to the first meeting of 2012.

Committee Reports

There were no committee meetings held in December.

Executive Director's Report

Mr. Godfrey welcomed Joseph Pratt, General Treasurer Gina Raimondo's designee to the Board of Commissioners.

Mr. Godfrey announced the appointment of Carlos Hernandez as Director of Resident Services. Mr. Hernandnez has been with Rhode Island Housing for 22 years and previously had served as Assistant Director of Loan Servicing.

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

Mr. Godfrey provided an update on the break that occurred in a sprinkler pipe on January 16th. Significant amounts of water flowed from the 4th floor ceiling to the workstations below. Most of the damage was confined to the area around the central stairway. Mr. Godfrey noted that 16 - 20 workstations were flooded and some water was absorbed into the carpet of nearby areas.

Staff worked diligently to restore building security, HVAC and IT systems. Outside vendors have been cleaning up the water damage and internal staff have been clearing the impacted desks and common areas. Mr. Godfrey expressed appreciation to the fire department personnel who responded quickly to the alarm and were a huge asset in minimizing damage to the building.

Mr. Godfrey commended Susan Bodington on her work on the 10-Year Plan to End Homelessness. Ms Bodington, along with staff members, has been coordinating efforts with consultants to produce a new 10-year plan to address homelessness in Rhode Island. After extensive input from stakeholders, a draft will be presented to the Housing Resources Commission and to the Interagency Council on Homelessness within the next week. The final plan will be submitted to the Governor and the General Assembly.

During the past several years the Securities and Exchange Commission has been investigating allegations of "bid rigging" in the municipal securities investment market, and recently entered into settlements with two firms involved in this business for payment to defrauded issuers. A 2002 Rhode Island Housing bond issue was one of more than 200 transactions in which bid rigging occurred. Mr. Godfrey informed the Board that Rhode Island Housing has received roughly $288,000 from the UBS settlement and will receive an additional amount, still to be determined, under the GE Funding settlement.

Mr. Godfrey announced that Rhode Island Housing has received HUD approval for the transfer of the Medina Apartments properties to Omni Development and closing on the transaction occurred the last week of December. Mr. Godfrey applauded the efforts of both staff and Omni Development in moving this transaction to closing and imminent construction.

Hardest Hit Fund Rhode Island celebrated the awarding of more than $10,000,000 in assistance to deserving Rhode Islanders during its first year in operation. Mr. Godfrey noted that even though that amount represents a great start, there is still a tremendous amount of work ahead for the program. As of the end of 2011, more than 2,600 Rhode Island homeowners have registered for HHFRI assistance and nearly 1,400 families have been approved for HHFRI

assistance. It is indicative of the impact the economic downturn is having on homeowners -- with the hardship of unemployment claimed by nearly 70 percent of those seeking assistance through HHFRI. Additionally, about half of HHFRI participants are actually current on their mortgage.

Approval of Transfer of Physical Assets (TPA) for Charlesgate North

Mr. Godfrey presented this request.

This Request for Action ("RFA") is for approval of prepayment of the mortgage for Charlesgate North (the "Development") an existing development originally financed by HUD under the Section 236 Program and refinanced with Tax Exempt bonds and Housing Tax Credits from Rhode Island Housing in 2001.

Charlesgate North is an existing 200-unit high-rise apartment building with 100 efficiency apartments and 100 one-bedroom apartments. There are 157 Project Based Section 8 units under a Housing Assistance Payment Contract ("HAP Contract") and 25 units with Project Based Housing Choice Vouchers (the "HCVP Contract"). The 2001 transaction set aside 25% of the units (50 units) as assisted living. The facility became known as the Charlesgate Senior Living Center. The idea was that by incorporating assisting living services into this development, the owner began to bridge the gap in the housing continuum at the Charlesgate complex, which consists of 4 buildings and which offers both independent elderly housing and skilled nursing care.

The services for assisted living qualified residents include meals, housekeeping, laundry, and assistance with activities of daily living ("ADLs"), in addition to medication monitoring, transportation, nutrition services, emergency response and social/recreational programs. The cost of these services is funded under Rhode Island's Residential Care/Assisted Living Supplemental Security Income Benefit program administered by the Department of Elderly Affairs.

As part of the 2001 transaction, approximately $1.1 million in renovations were completed. However, since 2001, the Rhode Island fire and life safety requirements have been significantly increased and the building no longer meets code. The goal of the proposed refinancing is to generate approximately $2 million for repairs, focused primarily on the installation of a new fire safety and sprinkler system and a new roof.

Charlesgate North Affordable Housing Partners, L.P. (the "Owner") seeks to refinance the project with HUD under the Section 223(f) program. CW Capital, LLC is the HUD lender. Because the Development is still under its initial compliance period for the Housing Tax Credits, only taxable financing would be available and it is at a higher cost than the HUD loan. The Owner has indicated that at the completion of the initial compliance period in 2017, their intention is to undertake a full refinance with a new tax credit investor.

Following prepayment of the existing loan and the closing on the new financing, Rhode Island Housing will retain some ability to oversee operation of the development, principally through our continued involvement as Section 8 Contract Administrator as HUD's agent, the continued

tax credit restrictions under the LURA and under the existing Regulatory Agreement. However, since Rhode Island Housing will not hold the new first mortgage, our authority to supervise operations will be less than in those cases where we are the primary lender. Rhode Island Housing will exercise its limited authority to ensure that the development is managed to best serve the needs of the residents.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Pratt the following resolution was unanimously approved:

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

RESOLVED: That the prepayment of the existing first mortgage for Charlesgate North be, and hereby is, approved, subject to the following terms and conditions:

1. Final approval of the sources and uses of the proposed transaction including funds for the installation of a fire alarm system.

2. Continuation of the existing Regulatory Agreements in a manner satisfactory to Rhode Island Housing for the development.

3. Final approval of the application materials submitted under the Regulations Governing Proposed Prepayments and Transfers, with the exception of such requirements that may be waived or modified by the Executive Director or any Deputy Director, consistent with the nature of this transaction and the protection of the interests of Rhode Island Housing.

4. Satisfaction of any additional requirements which the Executive Director or any Deputy Director believes to be necessary or advisable to protect the interests of Rhode Island Housing with respect to Charlesgate North Apartments

5. Payment of the prepayment fee.

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

<u>Authorization to Purchase Additional Habitat for Humanity Loans</u>

Mr. Godfrey gave an overview of this request.

This Request for Action is for authority to purchase up to $1.0 million in new mortgages originated by Rhode Island affiliates of Habitat for Humanity International ("Habitat").

Habitat is non-profit organization that seeks to eliminate poverty, substandard housing and homelessness. Founded in 1976, Habitat has built more than 100,000 houses around the world, providing safe, decent, affordable shelter to 500,000 people in more than 2,000 communities.

Through volunteer labor and donations of money and materials, Habitat builds and rehabilitates simple decent houses with the help of homeowner families. Habitat houses are sold at cost and financed with no-interest loans. Habitat chapters provide mortgages with terms varying from 7 to 30 years.

Since 1999, Rhode Island Housing has purchased mortgages from local affiliates of Habitat under the Rhode Island Housing/Habitat for Humanity Purchase Mortgage Program (the "Habitat Mortgage Program"). To date, Rhode Island Housing has purchased 82 mortgages totaling $3.8 million under the Habitat Mortgage Program.

Through a continuation of the Habitat Mortgage Program, Rhode Island Housing will purchase up to an additional $1,000,000 (net funding amount) of mortgages at 70% of the mortgage principal balance. Habitat loans carry an interest rate of 0%. Purchasing these loans at 70% of the principal balance results in a breakeven transaction for Rhode Island Housing. Rhode Island Housing would continue to provide loan servicing to the Rhode Island Habitat for Humanity affiliates at no cost.

As with any mortgage product, there exists the risk of borrower default. The Habitat for Humanity loan balances are, however, typically low in comparison to current fair market value, reducing the financial exposure of the Corporation.

The Habitat for Humanity Purchase Program is unique in that it serves a population that may not otherwise have the opportunity of homeownership and provides needed resources to the local Habitat chapters.

Upon a motion made by Commissioner Pratt and seconded by Commissioner McGreevy the following resolution was unanimously approved:

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

Whereas: Rhode Island Housing has created the Rhode Island Housing/Habitat for Humanity Mortgage Purchase program (the "Habitat Mortgage Program") to purchase mortgage loans originated by Rhode Island affiliates of Habitat for Humanity International; and

Whereas: Since the inception of the Habitat Loan Purchase Program Rhode Island Housing has purchased 82 mortgage loans from Rhode Island affiliates of Habitat for approximately $3.8 million; and

Whereas: Rhode Island Housing seeks to acquire additional mortgage loans from Rhode Island Habitat affiliates;

Now, therefore, it is hereby

Resolved: That Rhode Island Housing be, and it hereby is, authorized to acquire additional mortgage loans from Rhode Island affiliates of Habitat under the Habitat Mortgage Program in a net purchase amount not to exceed $1,000,000.00.

Resolved: That the Executive Director, Deputy Director and Director of Loan Servicing, each acting singly, be, and hereby is authorized, empowered and directed to take all action as may be deemed necessary or advisable to carry out the foregoing resolution.

Approval of Engagement of Energy Auditor Services for the Weatherization Program

Mr. Godfrey presented this request.

The Rhode Island Office of Energy Resources has assigned administration of Providence weatherization programs to Rhode Island Housing. Four contracts will be administered which will provide weatherization, boiler repairs and appliance replacement for low income Providence residents.

To evaluate the energy needs of the applicants, Rhode Island Housing issued a Request for Proposals ("RFP") on December 30, 2011 seeking qualified firms to conduct residential energy audits in Providence. The RFP was posted on the Rhode Island Housing and State website.

Three firms submitted proposals. Staff evaluated all of the proposals and determined that two of the firms were qualified to conduct the necessary assessments. These firms are:

- Rhode Island Energy Audits, Rhode Island
- Ocean State Energy Audits, Rhode Island

The recommended firms will be added to the current auditor list maintained by staff and that provided services under the multifamily weatherization program.

Upon a motion made by Commissioner Pratt and seconded by Commissioner Monteiro the following resolution was unanimously approved:

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

RESOLVED: That Rhode Island Housing be, and it hereby is authorized, to enter into contracts for energy audit services with Rhode Island Energy Audits and Ocean State Energy Audits, on such terms and conditions as staff determines to be in the best interests of Rhode Island Housing.

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

Authorization and Approval of Salary Ranges and Position Change

Chairman DeRentis noted that a meeting of the Human Resources was held on January 19, 2012 at 8:30 a.m. Chairman DeRentis gave a brief overview of the deliberations of the Human Resources Committee, with additional comments from Mr. Godfrey. Chairman DeRentis noted that the recommendations of the Human Resources Committee have been incorporated into the following proposal.

Rhode Island Housing has 17 salary ranges that cover approximately 100 job titles. Performance based increases are provided to employees within these ranges based on annual adjustments to the overall budget. Although such performance increases have averaged 2.5% per year since 2007, we have not adjusted the salary ranges at all since then. Last fall, we engaged an independent compensation consultant to compare Rhode Island Housing salary ranges with comparable positions in the public and private sectors. The consultant reported that, based on a 2010 salary survey, our overall ranges were on average from 2.5% to 6.6% below those for the combined public and private sectors. See chart below.

	Min	Mid	Max
Private	+5.49	-7.66	-17.72
Public	-15.78	-3.63	-6.92
Combined	-2.42	-3.72	-6.58

Management recommends that we increase overall salary ranges by 7%. While doing so will not directly result in individual increases, except for those who are within 7% of the low point in the range, it will allow those employees at the top of their ranges some room for increases such as those that became available in January. About 16 employees are currently at the top of their range, which is about 9% of our workforce. If all 16 were to receive a 3% increase as of January 1, there would be a $29,623 increase in our overall salary expense. In addition, 6 employees will be under the adjusted minimum of the range and bringing them to the new minimum would increase salary expense by $6,480.

Increasing the salary ranges will make it easier to attract and retain employees and increase overall morale by demonstrating to our employees that their salaries are close to equal pay with their peers in the public and private sectors.

Agency policy permits the Executive Director to make adjustments to and add or subtract positions below the level of Assistant Director (below salary range 14) provided that such changes can be accommodated within the salary budget approved by the Board of Commissioners. Similar changes for ranges 14 and above have required approval of the Board. Furthermore, the Executive Director notifies the Board prior to any appointments to positions in ranges 14 and above.

When we had a Deputy Director/CFO, the position at the head of the Division of Finance and Technology was called an Assistant Director with a range of 15. The heads of the other divisions are referred to as Directors with range 16. I recommend recognizing the role of Director of

Finance and Technology at range 16.

Management recommends that the salary ranges 2 – 16 be increased by 7% and that the Director of Finance and Technology position be a Range 16.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Monteiro the following resolution was unanimously approved:

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

Resolved: That the salary ranges for employees of Rhode Island Housing in ranges 2 – 16 be are increased by 7% at their low points and high points.

Resolved: That the position of Director of Finance and Technology be established be assigned to salary range 16.

There being no further business to discuss, a motion was duly made by Commissioner Monteiro and seconded by Commissioner McGreevy to adjourn the open meeting at approximately at 9:36 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director