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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, October 18, 2012 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman James DeRentis; Louis DeQuattro, designee for Paul McGreevy, Director of Department of Business Regulation; Joseph Pratt, designee for General Treasurer Gina Raimondo; Steven Costantino, designee for Richard Licht, Director of Administration and Paul Dimeo. Vice Chairwoman Denise Barge and Jose Monteiro were absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; Kara Lachapelle, Director of Finance and Technology; Carol Ventura, Director of Development; Cathleen Paniccia, Director of Homeownership; Leslie McKnight, Director of Servicing, Peter Walsh, Director of Administration, Customer Service & Community Relations; Carlos Hernandez, Director of Resident Services, and Michael V. Milito, Corporation Counsel.

Andrew Prescott, 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 8:35 a.m.

Approval of Minutes of Board Meeting Held on August 16, 2012

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro the following was unanimously adopted:

VOTED: That the Minutes of the Board Meeting held on August 16, 2012 hereby are approved.

Chairman's Report

Chairman DeRentis welcomed everyone and encouraged each person to vote in the November 6, 2012 election and emphasized the need to vote yes on ballot number 7 to approve the 25 million housing bond for Rhode Island.

Committee Reports

Chairman DeRentis noted that meetings of the Human Resources and Budget Committees were held on September 10, 2012. 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 and noted that the recommendations of the Human Resources Committee have been incorporated into the proposed fiscal year 2013 budget, which had been considered by the Budget Committee. The recommendations of the Budget Committee are incorporated in agenda item number 10, Approval of the Fiscal Year 2013 Budget.

Executive Director's Report

Mr. Godfrey introduced and announced the appointment of Bob Wickey as the new Deputy Director/CFO of Rhode Island Housing. Mr. Godfrey expressed confidence that Mr. Wickey's broad financial expertise will add value to every area of operations and enhance the advancement of Rhode Island Housing's mission. Mr. Godfrey notified the Commissioners that Mr. Wickey will join the Agency full-time on November 15, 2012.

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

Mr. Godfrey noted that on September 28, 2012, in accordance with state law, Rhode Island Housing properly completed and submitted its audited financial statements for the fiscal year ending June 30, 2012. As in recent years, it was an unqualified ("clean" or without limitations) opinion. Mr. Godfrey distributed copies of the audited financial statements to the Board of Commissioners and announced that the statements will be fully discussed at the next Audit Committee meeting.

Mr. Godfrey highlighted that in the first five months of Rhode Island Housing's expanded loan options, registrations were up nearly 50 percent. While interest remains high, qualifying standards set by Fannie Mae including the limits on the refinancing of second mortgages and industry low rates, have led to a drop-off in registrations. However, through September 30, the Agency closed some \$10 million in Fannie Mae loans. Overall closed loan activity for the month of September represents the most productive month since May of 2010.

Lastly, Mr. Godfrey echoed the Chairman's sentiments that the 25 million dollar Housing Bond is vital to Rhode Island's economic viability and stressed that voters **Vote Yes on 7**.

Firm Approval of Financing for Kings Grant Apartments

Carol Ventura, Director of Development, made this presentation. Ms. Ventura introduced, welcomed and thanked Rev. Laverne R. Joseph, President and CEO of Retirement Housing Foundations for traveling from California to be present at the Board meeting.

This Request for Action (“REA”) is for Firm Approval of a tax-exempt First Mortgage of \$16,200,000 for Kings Grant Apartments (the “Development”), an existing family housing development built in 1972 and originally financed under the United State Department of Housing and Urban Development (“HUD”) Section 236 mortgage program. Retirement Housing Foundation and Schochet Associates are the Co-Developers (the “Developer”).

The Development received Preliminary Approval for financing at the June 2012 Board meeting. Kings Grant is comprised of 156 apartments in North Kingstown, adjacent to the entrance to Quonset. The Development, composed of garden style buildings and associated parking, contains 61 one-bedroom apartments and 95 two-bedroom apartments. Section 8 rental assistance for 104 apartments has been provided through a Housing Assistance Payment (“HAP”) contract. The developer will be requesting a new 20 year HAP contract for the 104 apartments currently receiving assistance.

The Kings Grant property is currently subsidized under the Section 236 program in combination with a HUD insured mortgage, and restricted under an ELIHPA contract. There are 52 Section 236 units. The ELIHPA restrictions are expiring and the HUD mortgage will reach maturity at the end of October 2012. The current owner intends to prepay the balance of the HUD insured Section 236 mortgage and has submitted the necessary application to HUD. Prepayment will ensure that all eligible residents in the 52 Section 236 units will receive a HUD Section 8 Enhanced Voucher (“EV”).

Under the current HUD Regulations, if the Section 236 mortgage fully matures, these residents would not be eligible to receive these EVs. The current rents at the Development are very low, consistent with the 236 program guidelines. The Borrower has applied for a rent increase up to the current market rents based on a newly commissioned Rent Comparability Study. Both the Section 8 HAP rents and the EV rents will be established based on this rent study. Those residents whose incomes exceed 80% of Area Median Income will not receive an EV. Their rent will be increased to the market rent.

As currently underwritten, the Development will have 104 subsidized/Housing Tax Credit apartments and 52 market rate apartments. The Borrower may elect to increase the number of subsidized apartments and reduce the number of market rate apartments once all eligibility for EVs is determined. This would result in the First Mortgage amount being reduced, but it is expected that the decrease would be made up through an increase in tax credit equity. The addition of tax credit-restricted units would help maximize the number of long term affordable apartments. At a minimum as part of this transaction, the borrower will sign a new 40 year use restriction assuring long term affordability for at least 104 apartments.

The current ownership of these properties consists of a partnership between Schochet Associates (“Schochet”) of Boston, MA and entities controlled by Fundamental Advisors of New York, NY. The purchaser will be a to-be-formed single purpose entity whose general partner will be wholly owned by Retirement Housing Foundation (“RHF”) a non-profit developer located in Long Beach, CA. The property is currently managed by Federal Management Company (“FMC”) of Boston, MA and will continue to be managed by FMC after acquisition by RHF. FMC is an affiliate of Schochet Associates.

Retirement Housing Foundation is a nonprofit, mission driven, affordable housing development and management organization. RHF celebrated its 50th anniversary last year. Since 1961, it has developed and now manages for its own account 159 senior, family and skilled nursing facilities in 26 states, Washington D.C., Puerto Rico and the Virgin Islands. Schochet and RHF have recently collaborated on several projects in Boston, Leominster and Gardner Massachusetts. The acquisition of this facility will complement its mission through the acquisition of existing assisted housing in order to assure its affordability for the future.

Kings Grant is a well-maintained, well-landscaped development. The location of the property on State Street in the Davisville area of North Kingstown is good, with immediate access to major transportation routes, shopping and recreational facilities. Though well maintained, the housing is 40 years old. Proposed rehabilitation has been guided by the recently completed Capital Needs Assessment (“CNA”), and will focus on upgrades of some older kitchens and baths, common areas, and heating systems. Energy efficiency measures will be implemented as well as some ADA improvements and exterior improvements. The new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecast in future years.

There have been several changes to the overall transaction since Preliminary Approval. The mortgage amount has been reduced approximately \$2 Million based on the value supported by the market rent determination. In order to mitigate some of the reduced mortgage amount, the acquisition price has been reduced, the loan term was extended to 35 years and the interest rate was increased to adjust for the longer term. In addition, the sponsor has been able to secure a higher equity raise increasing the syndication proceeds available for the transaction. Finally, the development team and Rhode Island Housing have fine tuned the rehabilitation scope based on the CNA and the FHA Risk Share 15% rehabilitation requirement.

The primary sources of financing for the transaction will be (i) a \$16,200,000 tax-exempt bond funded First Mortgage, (ii) equity from the sale of associated 4% Housing Tax Credits, (iii) deferred developer fee, (iv) a seller’s note, and (v) a short term construction loan provided by RHF to bridge a portion of the tax credit equity. As noted in the Preliminary Approval, the mortgage is underwritten based on the lower of the approved HAP or market rents determined by a Rhode Island Housing commissioned appraisal to comply with HUD Risk Share requirements. The loan will be insured during construction.

The use of FHA Risk Share during construction will trigger Davis Bacon wages for all construction related activity. It also requires that the rehabilitation equal at least 15% of the completed value of the development, increasing the original rehabilitation budget. As a result of the more extensive rehabilitation, the initial deposit to the replacement reserve will be reduced from the standard \$2,000 per unit to \$1,500 per unit. A term sheet outlining the terms and conditions used as the basis for underwriting this transaction is included in Attachment B.

This RFA requests Firm Approval for a tax-exempt permanent mortgage amount of up to \$16,200,000.

A brief discussion followed the presentation with Ms. Ventura answering the Commissioners' questions regarding tax credits and the number of local contractors engaged in the project.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro 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-five (35) 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 mortgage financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Permanent Mortgage</u>
Kings Grant	Retirement Housing Foundation	\$16,200,000

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby declares firm approval for tax exempt mortgage financing in an amount not to exceed \$16,200,000.00 to Retirement Housing Foundation or an affiliated partnership (the “Borrower”) for rental housing known as Kings Grant located on Fischer Drive in North Kingstown, Rhode Island.

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 \$16,200,000 in permanent mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop 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:

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Acceptable appraisal by an independent appraiser demonstrating that the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Syndication equity from the sale of housing tax credits in an amount sufficient to insure the Development's financial feasibility.
- Approval of a new 20 year HAP contract for 104 apartments at rents sufficient to meet underwriting requirements
- Receipt of Enhanced Vouchers at rents sufficient to meet underwriting requirements.
- Approval by Rhode Island Housing of Development Team members.
- Evidence satisfactory to Lender that post-rehabilitation real estate tax assessment is consistent with the underwriting projections.
- Final approval of the new operating budget.
- Approval by Rhode Island Housing of construction plans, specifications, and supporting 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 from HUD for a minimum of 50% of the first mortgage.

Resolved, That the Executive Director, 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.

Firm Approval of Financing for Essex Village Apartments

Ms. Ventura, Director of Development presented this request.

This Request for Action ("RFA") is for Firm Approval of a tax-exempt First Mortgage of \$9,870,000 for Essex Village Apartments (the "Development"), an existing elderly housing development built in 1979 and originally financed under a U. S. Department of Housing and Community Development ("HUD") mortgage program. Retirement Housing Foundation and Schochet Associates are the Co-Developers (the "Developer").

The Development received Preliminary Approval for financing at the June 2012 Board meeting. Essex Village is a development with 109 elderly apartments in North Kingstown, adjacent to the entrance to Quonset. The Development, composed of garden style buildings and associated parking, contains 83 one-bedroom apartments and 26 two-bedroom apartments. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract. The existing HAP contract for this site runs through 2016; however as part of this transaction the Developer is pursuing a 20 year renewal of the HAP. Eight of the one-bedroom units are currently occupied by households with incomes between 60% and 80% of AMI. The units are affordable under the Section 8 program however they are not eligible for housing tax credits. The original mortgage has matured and the development is no longer subject to a regulatory agreement. As part of this transaction, the borrower will sign a new 40 year use restriction assuring long term affordability.

Essex Village is a well-maintained and well-landscaped development. The location of the property on Fisher Drive in the Davisville area of North Kingstown provides immediate access to major transportation routes, shopping and recreational facilities. Upon acquisition of the property, the new ownership entity will complete approximately \$2 million in improvements. Proposed rehabilitation has been guided by the recently completed Capital Needs Assessment (“CNA”), and will focus on upgrades of some older kitchens and baths, common areas, and heating systems. Energy efficiency measures will be implemented as well as some ADA improvements and exterior improvements. The new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecast in future years

There have been several changes to the overall transaction since Preliminary Approval. The mortgage amount has been reduced by \$410,000 based on the value supported by the market rent determination. In order to mitigate some of the reduced mortgage amount, the loan term was extended to 35 years and the interest rate was increased to adjust for the longer term. In addition, the sponsor has been able to secure a higher equity raise increasing the syndication proceeds available for the transaction, has increased the deferred fee amount, and a seller’s note will be added. Finally, the development team and Rhode Island Housing have fine tuned the rehabilitation scope based on the CNA and the FHA Risk Share 15% rehabilitation requirement.

The current ownership of these properties consists of a partnership between Schochet Associates (“Schochet”) of Boston, MA and entities controlled by Fundamental Advisors of New York, NY. The purchaser will be a yet to be formed single purpose entity whose general partner will be wholly owned by Retirement Housing Foundation (“RHF”) a non-profit developer located in Long Beach, CA. The property is currently managed by Federal Management Company (“FMC”) of Boston, MA and will continue to be managed by FMC after acquisition by RHF. FMC is an affiliate of Schochet Associates.

Retirement Housing Foundation is a nonprofit, mission driven, affordable housing development and management organization. RHF celebrated its 50th anniversary last year. Since 1961, it has developed and now manages its own portfolio of 159 senior, family and skilled nursing facilities in 26 states, Washington D.C., Puerto Rico and the Virgin Islands. Schochet and RHF have recently collaborated on several projects in Boston, Leominster and Gardner Massachusetts.

The acquisition of this facility will complement its mission through the acquisition of existing assisted housing in order to assure its affordability for the future.

The primary sources of financing for the transaction will be (i) a \$9,870,000 tax-exempt bond funded First Mortgage, (ii) equity from the sale of the associated 4% Housing Tax Credits, (iii) deferred developer fee, (iv) a seller's note, and (v) a short term construction loan provided by RHF to bridge a portion of the tax credit equity.. As noted in the Preliminary Approval, the mortgage is underwritten based on the lower of the HAP rents or market rents determined by a Rhode Island Housing commissioned appraisal to comply with HUD risk share requirements. As a result, the final loan amount is lower than that approved at Preliminary Commitment. The loan will be insured during construction.

The use of risk share during construction will trigger Davis Bacon wages for all construction related activity and will require that the rehabilitation equal at least 15% of the completed value of the development, increasing the original rehabilitation budget. However, due to the more extensive rehabilitation, the initial deposit to the replacement reserve will be reduced from the standard \$2,000 per unit to \$1,500 per unit. A term sheet outlining the terms and conditions used as the basis for underwriting this transaction is included in Attachment B.

This request is for Firm Approval for a tax-exempt permanent mortgage of up \$9,870,000.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro 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-five (35) 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 mortgage financing to acquire and rehabilitate the building as set forth below:

<u>Development</u>	<u>Applicant</u>	<u>Permanent Mortgage</u>
Essex Village	Retirement Housing Foundation	\$9,870,000

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby declares firm approval for tax exempt mortgage financing in an amount not to exceed \$9,870,000 to Retirement Housing Foundation or an affiliated partnership (the “Borrower”) for rental housing known as Essex Village located on Newcomb Road in North Kingstown, Rhode Island.

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 \$9,870,000 in permanent mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop 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:

- Completion of all items required for closing in accordance with normal underwriting and processing requirements.
- Acceptable appraisal by an independent appraiser demonstrating that the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Syndication equity from the sale of housing tax credits in an amount sufficient to insure the Development’s financial feasibility.
- Approval by Rhode Island Housing of Development Team members.
- Evidence satisfactory to Lender that post-rehabilitation real estate tax assessment is consistent with the underwriting projections.
- Final approval of the new operating budget.
- HUD approval of new HAP rents and contract renewal..
- Approval by Rhode Island Housing of construction plans, specifications, and supporting 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 from HUD for a minimum of 50% of the first mortgage.

Resolved, That the Executive Director, 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.

Approval of Threshold Program Awards

Mr. Godfrey along with Ms. Ventura gave this presentation.

Commissioner Pratt noted that Crossroads Rhode Island, of which the General Treasurer, Gina Raimondo is a board member, was a prospective recipient of Threshold Awards and recused from consideration and the vote.

Since September 1994, Rhode Island Housing has administered the Thresholds Program under agreement with the Rhode Island Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH). The goal of the Thresholds Program is to increase the supply of affordable housing for people with serious and persistent mental illness and/or developmental disabilities. The provision of supportive services, which can enable consumers to live independently in integrated settings, is a requirement of the program. The State of Rhode Island FY 2013 budget authorizes \$1,000,000 for distribution under the Thresholds Program. .

In response to a Request for Proposals for Thresholds funding, fourteen (14) applications requesting \$2,705,426 were received on September 14, 2012. The available Thresholds funding for FY 2013 is \$1,000,245.

The Thresholds Advisory Committee including BHDDH Director Stenning, met on October 1, 2012 to review the applications and recommended funding for five (5) applications. The Thresholds Advisory Committee determined that (1) the recommended awards totaling \$1,000,245 would enable Thresholds to meet its goal of supplying housing linked to supportive services from a mental health or developmental disability agency and (2) the size of the awards were justified and sufficient. A summary of the recommendations of the Advisory Committee is included as Attachment A.

With the approval of these proposals, 100% of FY 2013 Thresholds Program funds will be committed. These recommendations increase the commitment of Thresholds since 1994 to over \$14.6 million, funding 395 Thresholds units.

The Board is requested to authorize Rhode Island Housing to make Thresholds awards totaling \$1,000,245.

Upon a motion made by Commissioner Dimeo and seconded by Commissioner DeQuattro the following resolution was approved with 4 votes in favor, none opposed; and one recusal from Commissioner Pratt. Commissioner Pratt 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, The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) has entered into an agreement with Rhode Island Housing pursuant to which BHDDH has delegated to Rhode Island Housing the administration of Thresholds Program funds and;

WHEREAS, The applicants listed in Attachment A have submitted applications which meet the requirements of the Thresholds Program and;

WHEREAS, The Thresholds Advisory Committee and BHDDH have reviewed each of the eligible applications submitted and the Advisory Committee has recommended that Thresholds Program funds be committed to the proposals listed in Attachment A.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and it hereby is authorized, to commit \$1,000,245 in Thresholds Program funds, as set forth in Attachment A, and approved by BHDDH.

RESOLVED: That the Executive Director, 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.

Approval of Multi-Family Development Bonds Series 2012

Mr. Godfrey presented this request.

As it does with its single family loans, Rhode Island Housing finances its multi-family loans by issuing bonds identified for that purpose. At its November 19, 2009 meeting, the Board approved the Multi-Family Development Bond General Resolution to provide an alternative funding vehicle for multi-family mortgage loans that could not be financed under existing bond resolutions, and approved the issuance of up to \$125 million of multi-family housing bonds to coincide with improving conditions in the capital markets. Bonds were issued under that authority in 2010 and 2011, and the proceeds have been used to finance multi-family developments.

Rhode Island Housing has approximately \$106 million of multifamily loans in process or closed that require permanent long-term financing. Staff has found various ways to temporarily fund the loans already made; but at this time, it would be appropriate to issue bonds to more permanently finance them, as well as to provide anticipatory funding for upcoming loan production. Sizing of the issuance would also include required debt service reserves.

The proceeds from the sale of these bonds will fund approximately 1,300 rental units.

Staff recommends the adoption of the attached resolutions authorizing issuance of up to \$110 million of both short and long term bonds within the Multi-family Development Bond Program.

Upon a motion made by Commissioner DeQuattro and seconded by Commissioner Pratt, the resolution was unanimously adopted in the form presented to the meeting, which Resolution is attached as part of the October 18, 2012 board package.

Approval of Home Funding Bonds Series 5 and Subseries 2-C

Mr. Godfrey gave this presentation.

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 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 \$32 million (Subseries 2-C), and short to intermediate bonds of up to \$43 million (Series 5) to be sold in the public bond market. The market bonds will potentially be used to refund previously issued bonds at lower interest rates.

Staff recommends that attached resolutions authorizing the issuance of up to an aggregate of \$75 million of both short- and long-term bonds within the previously approved bond resolution adapted to requirements of the Treasury Department and the GSEs be approved.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro, the resolution was unanimously adopted in the form presented to the meeting, which Resolution is attached as part of the October 18, 2012 board package.

Approval of FY 2013 Budget

Mr. Godfrey made this presentation.

Commissioner Costantino arrived at this point of the meeting at approximately 9:15 a.m.

The fiscal year 2013 Budget was reviewed by the Budget Committee of the Board on September 10, 2012. Comparative analyses to prior year budget and actual amounts were presented to the Committee, and explanations of major components of revenue and expense were given.

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 the current year expenses related to REO properties and our expectations for future costs.

Additional commentary on the budget is included in the Budget Committee minutes, but of particular note are the effects of a very difficult economic environment. The operating context for the budget, particularly with regard to reduced revenues from HUD and the State mandated funding of \$1,300,000 for NOP, will require significant cuts to operating and program budgets. 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 2013 is to closely match revenues and expenses while shifting to a lower funding base line. Should business income rebound with the economy, Rhode Island Housing can then re-grow its non-revenue-generating assistance to external partners and customers.

Major elements of the balance sheet and the revenue/expense statement include the following: Single-family loan production was down in 2012 and is forecast to be flat in 2013, however, with the new Fannie Mae loan options we are hoping to increase our market share. 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 HUD Section 8 Contract Administration Program.

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 Pratt and seconded by Commissioner DeQuattro the following resolution was unanimously adopted along with the FY 2013 Budget which is attached as part of the October 18, 2012 board package.

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

Resolved: That the proposed fiscal year 2013 Budget of Rhode Island Housing as set forth in Attachment B is hereby approved.

Approval of Engagement of Executive Performance and Compensation Consultant

Chairman DeRentis gave this presentation.

At a recent meeting the Board of Commissioners considered the renewal of the Executive Director's contract and adjustment to compensation. As a follow-up to those items, the Chairman requested that staff seek proposals from outside consultants to develop a performance evaluation and compensation process for future executive performance and compensation reviews.

Staff issued a Request for Proposals (RFP) for these services in June. The RFP was provided to a number of firms that had provided responded to a prior RFP regarding a full-staff compensation study. In addition, the RFP was posted on Rhode Island Housing's website, and on the state purchasing website administered by the Division of Purchasing.

We received proposals from the following organizations:

- The Bronner Group (Chicago, IL)
- DIJ Management (Holden, MA)
- The Singer Group (Reisterstown, MD)

Staff reviewed the proposals received and presented the proposal to the Human Resources Committee of the Board on September 10. For the reasons set forth below, the Committee recommended that The Singer Group be engaged to provide these services.

The Bronner Group is a relatively large organization that generally provides a broader scope of services to clients that are far larger than Rhode Island Housing. Their size is not a good fit for Rhode Island Housing's needs and their proposed fee of \$31, 960 was more than three times higher than the other bidders.

DIJ Management is a small organization based in Holden, Mass. DIJ is essentially a one-person organization that brings in additional consultants as necessary. Jacobs has a background in town management in Massachusetts, and in municipal finance for small financial institutions. DIJ has had a few engagements in Rhode Island, for the Towns of East Greenwich and Lincoln, the City of Newport and the Rhode Island Economic Development Corporation. The references DIJ provided primarily involved compensation studies and organization-wide performance models, as opposed to development of a performance evaluations approach for executive director/senior managers. We reached out to DIJ to see if there were other references available for the performance review scope of work but none were provided.

We were able to make contact with one of the Rhode Island references provided. The feedback was that DIJ does a good job on organization-wide compensation studies but they would not recommend DIJ for the development of an executive director performance review model.

The Singer Group is a Maryland based organization that has a broad private and public sector practice, focusing in the mid-Atlantic but with a number of clients in other parts of the country. They are a three person organization that also brings in additional assistance on a particular job, if deemed necessary. They have significant experience working with a broad

range of non-profits, as well as public libraries, colleges and universities, local school districts, and the like.

They gave references to a number of organizations for which they provided assistance in developing an evaluation process and approach for senior management and executive directors. The recommendations for the Singer Group were uniformly positive. They were described as “first-rate,” “spry and flexible,” and providing service that was “head and shoulders above others organizations I have worked with on similar engagements.”

Their proposed fee of \$9,500 was slightly above the lowest proposal.

Staff recommends that the attached Resolution engaging The Singer Group to provide executive performance and compensation consulting services be approved.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro 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 engage The Singer Group to provide executive performance and compensation consulting services as set forth in their proposal.

RESOLVED: That the Chair of the Board of Directors 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.

Approval of Consultant and Broker Services for Employee Benefit Plan

Mr. Godfrey presented this request.

Rhode Island Housing offers various benefits to employees, including medical and dental insurance, long-term disability and life insurance. In addition, medical and dental insurance is available to retirees. Our benefit year for medical and dental begins on January 1.

Rhode Island Housing works with a broker to assist us in offering quality benefits while keeping costs in check. The broker provides a full range of services including assistance in plan design, development of funding alternatives, risk identification, risk exposure, and analysis of proposals from insurance providers.

The broker represents Rhode Island Housing in the communication with insurance carriers (underwriters, adjusters) as well as assisting in the negotiation of renewal rates with current carriers and/or market group coverage to competing carriers.

Periodically Rhode Island Housing seeks proposals from firms to provide these services. In September of this year we issued a Request for Proposals (RFP) for consulting and broker services in September. The RFP was distributed to firms which have expressed interest in the past in providing these services, and was also posted on the website maintained by the Division of Purchasing of the Department of Administration.

The following three firms submitted proposals:

- Starkweather & Shepley Insurance Brokerage
- CBIZ Primarily Care
- Cornerstone Group

The proposals were reviewed by the Human Resources Director, the Director of Finance & Technology and the Deputy Assistant Director of Law. Based upon this review, staff recommends that CBIZ Primarily Care be engaged to provide consulting and broker services for employee benefit plans to Rhode Island Housing.

The proposal submitted by all three firms were comparable in cost. However, based on Rhode Island Housing's past dealings with these firms staff believes that CBIZ Primarily has a stronger background and expertise in insurance underwriting which will allow them to better represent us in negotiations with prospective insurers.

Staff recommends that the Board of Commissioners adopt the attached resolution authorizing the engagement of CBIZ Primarily Care.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro 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 engage CBIZ Primarily Care to provide consulting and brokerage services regarding employee benefit plans, including medical and dental insurance, long-term disability and life insurance.

RESOLVED: That the Executive Director, any Deputy Director, and the Director of Finance and Technology, 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.

Approval of Selection of Vendor for Printing and Copying Services

Mr. Godfrey provided an overview of this request

Much of the office equipment used by Rhode Island Housing for printing and copying has gone far beyond its useful life and in some cases is beyond repair. The low performance and unreliability of the equipment has adversely impacted productivity. The FY 2013 budget includes funding to address these issues, with the goals of improving usability and productivity while reducing related annual operating expenses.

In July, Rhode Island Housing issued a Request for Proposals (RFP) for output management services. The RFP was distributed to vendors identified by Rhode Island Housing and was posted on the web site maintained by the Division of Purchasing in the Department of Administration. The RFP required respondents to analyze our specific needs based on current usage data, physical floor plans and a detailed list of requirements. Each vendor toured our buildings and, based on this analysis and their knowledge of the products they represent, were asked to propose a detailed hardware and service solution to address our needs.

The following firms submitted proposals:

- Automated Business Solutions - providing service from Warwick, RI
- CBS/BVOS - providing service from Lincoln, RI
- Innovex Office Provisions & Printology - providing service from Lincoln, RI

The projected costs for initial hardware purchase and on-going monthly support was evaluated. The cost for the initial equipment purchase ranged from \$144,000 to \$127,000, with the lowest bid proposing equipment that was judged to be of lesser quality that would not adequately meet our needs. The other two bids were comparable in initial equipment costs. The cost for on-going monthly support was comparable for all three bids once an adjustment was made to reflect the fact that two of the bidders proposed use of generic toner rather than the original manufacturer toner as specified in the RFP.

Three members of the Information Technology Department independently evaluated each proposal against the 81 separate requirements set forth in the RFP. Each of these requirements was assigned a weight based on importance, and each reviewer assigned a score of 1 – 10 for each requirement. In the scoring, consideration was given to completeness of the response as well as the vendors understanding of our needs and their overall solution.

Following evaluation of each proposal, staff recommends retaining our current service provider, CBS/BVOS. They provided the most complete analysis and response, and was ranked highest by all reviewers. The estimated savings for on-going support is approximately \$24,000 annually.

Staff recommends that the attached Resolution approving an award to CBS/BVOS be approved.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro 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 a need for new equipment and on-going services relating to printing and copying functions of the organization; and

WHEREAS: Staff recommends that CBS/BVOS be engaged to provide equipment and services relating to printing and copying functions as determined necessary by staff.

NOW, THEREFORE IT IS HEREBY:

RESOLVED: That Rhode Island Housing is hereby authorized, to enter into a contract with CBS/BVOS to provide necessary equipment and services relating to printing and copying functions.

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.

In closing, Chairman DeRentis thanked Amy Rainone, Susan Bodington and everyone involved in the promotion of the Vote Yes on 7 campaign.

There being no further business to discuss, a motion was duly made by Commissioner Pratt and seconded by Commissioner Dimeo to adjourn the open meeting at approximately at 9.28 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director