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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, December 6, 2012 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman James DeRentis; Vice Chairwoman Denise Barge; 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. Jose Monteiro was absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Susan Bodington, Deputy Director; Robert Wickey, Deputy Director/CFO; Kara Lachapelle, Director of Finance and Technology; Carol Ventura, Director of Development; Leslie McKnight, Director of Servicing; Carlos Hernandez, Director of Resident Services, and Michael V. Milito, Corporation Counsel.

Steven Richard, 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 8:30 a.m.

Approval of Minutes of Board Meeting Held on October 18, 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 October 18, 2012 hereby are approved.

Chairman's Report

Chairman DeRentis welcomed everyone and extended his wishes for a healthy and happy holiday season.

Committee Reports

There were no committee meetings held in November.

Executive Director's Report

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 Rhode Island Housing's annual charitable giving campaign once again proved what a generous group of employees work at Rhode Island Housing. In tough times for all, when salaries have held steady, and when total staffing numbers have declined by about 10%, the total giving to the United Way and the Fund for Community Progress increased by more than 15% to about \$38,000.

Mr. Godfrey highlighted dashboard activities through the end of the quarter ending September 30. Although Rhode Island remains in a real estate recession, the dashboard report showed some positive indicators. Single family 90+ day delinquencies and REO levels have both dipped slightly in response Rhode Island Housing's strategic efforts. Rhode Island Housing continues to be strong in the areas of net interest income and keeping operating expenses under budget.

Mr. Godfrey addressed the possible impact of the 'fiscal cliff' on housing. Although under the sequestration provisions the goal is for an 8.2% reduction of total discretionary spending, it is possible that some programs will be cut more than that and others will be less. While most observers expect that direct federal appropriations for housing programs are likely to be cut, the Obama Administration appears committed to restoring the housing market as a whole and increasing housing support for low and moderate income families and individuals. This support could come from adjustments to the tax code, restructuring Fannie Mae, reworking the Community Investment Act or some yet to be announced program. It is worth remembering that out of the last major tax and housing program restructuring, in 1986, emerged the current Housing Credit Program.

While Mr. Godfrey could not predict what the final outcome will be, 2013 will likely be a year of major housing policy and finance discussions.

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

Approval of Reservation of Housing Tax Credits and Preliminary Commitment of Financing for Blackstone Valley Gateway II

Mr. Godfrey presented this request. Carol Ventura, Director of Development, introduced Nancy Whit, Andrew Pierson and Kim Pereira of PCDC who provided a detailed and comprehensive PowerPoint presentation on the project.

This Request for Action is for the reservation of up to \$739,608 in 2012 and 2013 9% tax credits, and Preliminary Commitment of up to \$175,000 of first mortgage financing, \$693,690 of Deferred Payment loan and a \$6,000,000 Construction loan for the Blackstone Valley Gateway II development (the "Development") in Pawtucket. The sponsor is Pawtucket Citizens Development Corporation ("PCDC").

The Development is a scattered site development of 41 apartments, 1 commercial unit and community space. In total, there are nine buildings containing 35 apartments in Pawtucket and one site providing six apartments in Central Falls. The Pawtucket buildings are located in two areas. The first is the Barton Street neighborhood where 22 rental homes will be developed in eight buildings adjacent to properties completed in Blackstone Valley Gateway I. A second concentration of 13 one bedroom homes in Pawtucket is located just a few blocks away at the former Old Colony Bank building in downtown. The Central Falls property is on Earle Street and will include the demolition of an existing commercial building and the construction of 6 new townhouses.

Three buildings with 13 apartments will be newly constructed and seven buildings with 28 apartments will undergo moderate to substantial rehabilitation. Fifty-five percent of the apartments will house families in two, three and four bedrooms and forty-five percent (15) will be built with one-bedroom. .

At the Old Colony Bank building, also known as the Gately Building, the Developer proposes significant structural and environmental work since the building has been vacant for 26 years. To offset some of the costs associated with the structural issues and environmental contamination at this site, the PCDC has secured a 20 year project-based Section 8 contract for 5 units and has received an offer to purchase the commercial unit on the ground floor for \$275,000. In addition, the development anticipates the use of federal Historic Tax Credits. When completed, the first floor will have community space for the residents and an optometrist office that has been in business since 1963. The second and third floors will contain 13 one-bedroom units.

The City of Pawtucket strongly supports the Development. The City is transferring the Gately Building to PCDC for \$1. The City is also providing \$365,000 in HOME funding for the rehabilitation of the development and is providing early grant resources to demolish the building located at 262 High Street.

This proposal includes many elements identified as priorities within the state's Qualified Allocation Plan. This project will continue the achievements of PCDC through Blackstone Valley Gateway I with KeepSpace components envisioned to improve connectivity within the neighborhood and serve as a future gateway to the Blackstone Valley. The Development includes the re-use of an historic building in downtown Pawtucket. It provides affordable housing in an area of Pawtucket and Central Falls where need remains great. The proposal leverages capital funds through the sale of a commercial condominium at the Old Colony Bank building. Finally, the Development has significant support from the cities of Pawtucket and Central Falls.

Based on significant progress made by the Developer on this project during the past year and the receipt of a Letter of Intent for syndication from NEF, staff recommends a reservation of \$739,608 in 2012 or 2013 9% Housing Tax Credits and preliminary commitment of a \$175,000 First Mortgage, \$693,690 Deferred Payment Loan and \$6,000,000 Construction Loan.

A brief discussion followed the presentation with Ms. Whit answering the Commissioners' questions regarding the project. Mr. Godfrey thanked Ms. Whit and her staff for the presentation.

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

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

Whereas, The Housing Tax Credit Program (the "Program") was created as part of the Tax Reform Act of 1986 (the "Act"); and

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

Whereas, Staff for Rhode Island Housing 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, 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; and

Whereas, The Applicant has submitted an application to Rhode Island Housing for the reservation of tax credits from the tax credit authority available in the calendar year 2012 or 2013 ("the Tax Credit") as follows:

Development	Applicant	9%Tax Credits	First Mortgage	Deferred Payment Loan	Construction Loan
Blackstone Valley Gateway II	Pawtucket Citizens Development Corporation	\$739,608	\$175,000	\$693,690	\$6,000,000

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 enabling legislation, regulations, guidelines and policies;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That \$739,608 of allocated 2012 or 2013 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, Rhode Island Housing hereby preliminarily approves financing for a taxable first mortgage loan to PCDC or an affiliated partnership (the “Borrower”) in an amount not to exceed \$175,000 (the “Loan”) for family housing located in Pawtucket, Rhode Island.

Resolved: That Rhode Island Housing hereby preliminarily approves up to \$693,690 of Deferred Payment Loan Funds for the Borrower;

Resolved: That Rhode Island Housing hereby preliminarily approves up to \$6,000,000 of Construction Loan Funds for the Borrower

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

- The award of Rhode Island Housing HOME and Lead Safe 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 and federal historic tax credits in amounts sufficient to achieve project feasibility;
- Signed agreement with optometric business for the sale of commercial condominium at 335 Main Street,
- Approval from the Federal Home Loan Bank of a second Affordable Housing Program award.
- Final approval of plans and specifications by Rhode Island Housing and final agreement with General Contractor on construction cost;
- Acceptable final appraisal and market study by an independent appraiser demonstrating that the loans do not exceed 90% of the as-stabilized value of the property and that sufficient demand exists for the proposed units;
- Approval by Rhode Island Housing of all management related issues;
- Satisfactory and timely performance in accordance with the schedule established by the sponsor and approved by Rhode Island Housing;
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements and the requirements established for previous phases.

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.

Approval of Reservation of Housing Tax Credits and Preliminary Commitment of Financing for The Four Sisters

Richard Godfrey made this presentation.

This Request for Action (“RFA”) is for reservation of up to \$705,857 in 2013 or 2014 9% Housing Tax Credits (“HTC”), and firm approval of a construction loan, and permanent first and second mortgage loans for the Four Sisters (the “Development”) in Providence. The Sponsor/Developer is Omni Development Corporation (“Omni”).

Omni, a non-profit housing developer based in Providence, proposes to refinance and preserve five existing affordable developments in Providence: 1890 House, Harvard Broad Apartments (“Harvard Broad”), Whitmarsh Apartments (“Whitmarsh”) and Niagara Place (“Niagara”) Apartments. The Development, which will be known as the Four Sisters, will consist of 95 elderly/disabled and family apartments located in 5 buildings in downtown Providence, the Southside and the Elmwood neighborhoods in Providence. Upon refinancing, the five sites will operate as one development.

The Four Sisters received Firm Approval from Rhode Island Housing as a 4% tax credit project in August 2012. Omni Development has proposed this project be reconsidered as a 9% preservation application to reduce the significant gap financing needed and complete a more comprehensive scope of work at each of the sites. With a reservation of credits this project can proceed quickly toward closing as due diligence review is nearly complete. This RFA supersedes the August commitment.

There is a provision in the 2008 Housing and Economic Recovery Act (“HERA”) that sets the applicable fraction for the 9% credit at 9% (the “Full 9% Rate”) rather than the applicable federal rate (“AFR”) which is often lower and is currently 7.38%. The HERA provision is scheduled to sunset on December 30, 2013. The current proforma assumes that 43 units will be completed before December 30, 2013 and therefore eligible for the Full 9% Rate and that 52 units will be completed in 2014 and therefore credits will be calculated at the AFR. This results in a blended rate used for valuing tax credits at 8.14%. Staff is recommending no payment of developer fee to hedge against potential equity loss until the three projects scheduled to place in service in 2013 are completed on schedule.

Harvard Broad, Whitmarsh, and Niagara

Harvard Broad, Whitmarsh and Niagara Apartments are three small developments currently in the Rhode Island Housing portfolio. Harvard Broad has nine units in two 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 period for Harvard Broad ended in 2009 and will end in 2013 for Whitmarsh. 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.

These three projects suffer from deferred maintenance, primarily due to their small scale and independent operations, which generates limited revenue to address ongoing renovation needs. Each site will benefit from approximately \$600,000 in renovation upgrades including roofs, boilers, kitchen and unit upgrades, exterior upgrades and other items identified in a Capital Needs Assessment completed for each site.

1890 House

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 CSH providing the acquisition loan, Rhode Island Housing guaranteed Omni’s obligations under the Note.

1890 House is a six-story brick building that was converted from a YWCA facility to a residential building in 1972. It underwent some additional renovation in the mid-1980s when it was purchased by the former owner. A Capital Needs Assessment completed by Omni identified significant deferred maintenance in the common areas, apartments and major building systems. The rehabilitation scope includes 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 electric heating system will be converted to a new gas boiler with a hot water system which should significantly lower operating expenses. Omni applied for and received a 20 year HAP contract from HUD.

From the outset, Omni’s plan was to identify funding sources to provide supportive services for the residents. Given CSH’s mission to stem homelessness and create supportive 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. Riverwood is providing case management for nine residents of the development and is willing to expand that commitment as vacant apartments are brought on line post rehabilitation.

Combining 1890 House with the three other sites will stabilize all of the sites financially for the long term by reducing duplicative costs and creating economies of scale in the operating budget. With the additional proceeds available with the 9% credits additional construction work can be

undertaken to improve safety and long-term viability including window replacement and other lead remediation costs at Whitmarsh Apartments.

All environmental testing has been completed. The Contractor and Developer are incorporating asbestos and lead abatement plans into the contract scope. Lead abatement will be undertaken at Whitmarsh and Harvard Broad and Omni will coordinate an efficient tenant relocation plan with management. At 1890 House, units will be made lead safe and asbestos will be removed in common areas. Omni has intentionally left several units vacant to simplify relocation issues during rehabilitation.

This Request for Action is for reservation of up to \$705,857 in 2013 or 2014 9% Housing Tax Credits and Firm Approval of a \$7,600,000 taxable construction bridge loan, a taxable First Mortgage of \$800,000, and a second amortizing mortgage of \$1,400,000 which will have the same loan terms as the first mortgage. The \$800,000 first loan will be insured under the FHA Risk Share program but the \$1,400,000 will not be insured. This bifurcation of amortizing debt is a result of different default provisions with regard to portions of the mortgage that have differing underwriting assumptions. While the first mortgage is underwritten at the lower of market or tax credit rents, the second mortgage is underwritten assuming the continuation of the HAP rents at 1890 House. The combined loans have a debt service coverage ratio of 1.25 in year 1 which exceeds Rhode Island Housing guidelines.

Upon a motion made by Commissioner Pratt and seconded by Commissioner Dimeo 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, the Applicant listed below has presented an application to Rhode Island Housing requesting an allocation of Housing 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, staff for Rhode Island Housing has determined that the Applicant ("Applicant") listed below is eligible for the Program under the laws of the State of Rhode Island and the Federal Tax Code; and

Whereas, the Applicant has submitted an application to Rhode Island Housing for the reservation of tax credits from the tax credit authority available in the calendar year 2013 or 2014 ("the Tax Credit") as follows:

Development	Applicant	9% Credits	Construction Loan	First & Second Mortgage
The Four Sisters	Omni Development Corporation	\$705,857	\$7,600,000	\$2,200,000

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 \$705,857 of allocated 2013 or 2014 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, Rhode Island Housing hereby approves financing for taxable first and second mortgage loans to Omni Development Corporation or an affiliated partnership (the “Borrower”) in an amount not to exceed \$2,200,000 (the “Loans”) for family housing located in Providence, Rhode Island.

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby approves financing for a short-term construction bridge loan for the Borrower in an amount not to exceed \$7,600,000 (the “Construction Loan”).

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

- HUD approval of the assignment of the current HAP Contract.
- Acceptable final appraisal by an independent appraiser demonstrating that the new first mortgage 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 9% Housing Tax Credits and federal historic tax credits in amounts sufficient to assure development feasibility.

- City of Providence approval to defer \$479,079 HOME Loan at Harvard Broad
- Final approval by Rhode Island Housing of construction plans, specifications and construction documentation.
- Developer guarantee of credit delivery schedule.
- Approval of a new operating budget.
- FHA Risk-Sharing approval for 50% of the First Mortgage.
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

Resolved, This Resolution substitutes for and replaces in its entirety the Resolution regarding the Development previously approved by the Board of Commissioners on August 16, 2012.

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

Firm Commitment of Financing for Douglas Avenue Veterans

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for a Firm Approval of tax-exempt construction and permanent financing and a Deferred Payment loan for Veterans for Tomorrow (“the Development”), a twenty (20) apartment adaptive reuse rental development located at 1115 Douglas Avenue in Providence. The developer is The Arc of Blackstone Valley (“BVArc”).

The Development received Preliminary Approval for financing at the December 2011 Board meeting. Veterans for Tomorrow involves the adaptive reuse of a 14,125 square foot, three-story historic mill, with the resulting twenty (20) rental homes comprised of one (1) efficiency and nineteen (19) one bedroom apartments. The Development will provide homes for male and female veterans who recently were homeless, or who are at risk of homelessness. The building will include employment training classroom space. BVArc has been providing training to young adults interested in working in the human services field, and will use the training space to extend this programming to veterans.

The mill is listed on the Federal Register of Historic Places and is eligible for federal historic tax credits. A Phase I environmental review has been completed for the property, with no issues being found.

The proposal is for total rehabilitation of the structure, resulting in all new mechanical systems, new finishes, windows, roof, and outdoor patio area, resident lounge areas, a laundry room,

parking, and the employment training classroom. Each apartment will have a kitchen and a bathroom ensuring that each resident has their own home. The plans and specifications were put out to bid. All of the bids were above the budgeted construction amount. BVArc worked with Behan Brothers, the low bidder, to value engineer the project. Cost savings have been achieved primarily through materials substitutions and utilization of alternative construction methods.

The Development has entered into a Housing Assistance Payment (“HAP”) contract for twenty (20) Veterans Affairs Supportive Housing (“VASH”) vouchers from the US Department of Housing and Urban Development and the Veterans Administration (“VA”). The Providence Housing Authority will be the contract administrator. The VASH vouchers provide rent subsidies allowing BVArc to provide housing to persons at or below 50% of the Area Median Income. Additionally, the VASH vouchers ensure that a full range of support services will be available to residents via the VA Hospital. Due to the HAP having been executed prior to construction, the project will be subject to Davis-Bacon requirements.

The Development has received two awards of Thresholds Funds from Rhode Island Housing. Commitments for HOME funds from Rhode Island Housing and the City of Providence have also been secured.

The BVArc seeks a tax-exempt construction loan of \$2,200,000. Upon completion of construction and receipt of the Part II award from the National Park Service for the historic credits, the borrower will make a balloon payment of \$1,648,000.

The Request for Action is for Firm Commitment of tax-exempt bond financing in an amount of \$2,200,000 of which \$552,000 will be permanent long term debt, and a Deferred Payment Loan of \$256,000.

Upon a motion made by Commissioner Costantino 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**

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, 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 a mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Mortgage</u>	<u>Deferred Payment Loan</u>
Veterans of Tomorrow	The Arc of Blackstone Valley	\$2,200,000	\$256,000

Whereas: Staff has reviewed the submission and determined that the 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 declares firm approval for tax-exempt mortgage financing to a limited partnership to be formed by The Arc of Blackstone Valley, in an amount not to exceed \$2,200,000 for rental housing known as Veterans of Tomorrow located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

Resolved: That Rhode Island Housing hereby declares that the firm approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue bonds to finance up to a \$2,200,000 loan plus the required bond reserve funds and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

Resolved: That the Rhode Island Housing hereby approves up to \$256,000 of Deferred Payment Loan Funds for the Borrower

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

- Acceptable final appraisal by an independent appraiser demonstrating that the new first mortgage does not exceed 90% of the as-stabilized value of the property.
- Syndication equity from the sale of Housing Tax Credits and Federal Historic Tax Credits in amounts sufficient to insure development feasibility.
- Approval by Rhode Island Housing of construction plans and specifications and construction documentation.

- Approval of the operating budget.
- Approval of a supportive service plan
- FHA Risk-Sharing approval for 50% of the permanent First Mortgage.
- Approval by bond underwriter and bond counsel that the loans 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.

Resolved: This Resolution substitutes for and replaces in its entirety the Resolution regarding the Development previously approved by the Board of Commissioners on December 15, 2011.

Resolved: That the Executive Director, any Deputy Director, and the Director of Development, each acting singly, shall take any and all action they deem necessary to carry out the foregoing resolutions.

Preliminary Commitment of Bond Financing for Grace Church Apartments

Mr. Godfrey provided information regarding this request.

This Request for Action is for Preliminary Approval of short term tax exempt financing for Grace Church Apartments (“Grace Apts”) an existing development located on Washington Street in Providence.

Grace Apts is a senior housing development with 101 apartments of which 95 are one-bedroom and 6 are two-bedroom. The property was developed in 1978 as a HUD 202 development. The owner, an affiliate of Grace Episcopal Church refinanced the development several years ago. In 2011, the church decided to sell the property and in 2012 selected Preservation of Affordable Housing (“POAH”) as the purchaser. POAH has requested that Rhode Island Housing issue tax exempt bonds to finance the acquisition and construction at the site. This financing mechanism will generate 4% Housing Tax Credits (“HTC”) and will be subject to a 30 year HTC affordability restriction agreement. The tax-exempt loan will be repaid with the proceeds of the permanent loan from HUD.

The transaction proposes to use HUD’s new 223(f) LIHTC Pilot Program (“Pilot Program”) for the permanent loan. The HUD loan will be issued through the Multifamily Accelerated Program (“MAP”) which uses third party lenders to underwrite and service the HUD loan. HUD must approve the transaction and the Pilot Program offers streamlined processing. MAP lenders have access to low cost taxable financing from Ginnie Mae and Fannie Mae that allows them to issue debt at rates below 3%. Rhode Island Housing does not have access to this pool of funds. The MAP lenders are therefore able to provide permanent financing at a lower interest rate than Rhode Island Housing could provide through the tax exempt bond market which is currently pricing at higher yields. At our current rates, POAH would have a \$1.5 Million gap if Rhode Island Housing were to provide the first mortgage.

Red Mortgage Capital (“RMC”) will serve as the MAP lender. The 223(f) loan is being underwritten at an interest rate of 2.85% plus 45 basis points for credit enhancement. The all-in rate is 3.3%. The final loan rate is somewhat value constrained based on the 223(f) underwriting criteria; therefore, POAH will be seeking a 5 year, \$800,000 subordinate loan from LISC or a similar lender with whom they have existing relationships.

POAH, a non-profit developer, will acquire the property from the existing owner. They will request (i) a Mark-up-to-Market rent increase under HUD’s non-profit transfer program, and (ii) a twenty-year HAP Contract subject to federal appropriations.

As part of the proposed transaction the new entity will complete approximately \$3,400,000 in improvements. Renovations will include new windows, handicap accessibility modifications, upgrades to the fire and life safety systems, common area upgrades, kitchen and bath upgrades and improved community space. The design team is currently undertaking a detailed review of each apartment to determine apartment specific repairs. In addition to the residential apartments, the development also includes a hobby room, library and fitness room that are available to all residents at no cost. POAH will establish new reserve accounts to cover the costs of necessary upgrades and improvements forecasted in future years.

POAH will pay for the full cost of issuance for the bonds and all Rhode Island Housing legal fees associated with the transaction. Rhode Island Housing will charge an issuer fee and will add a servicing fee to the bond rate.

The primary source of financing for the transaction will be (i) a two year tax exempt construction loan from Rhode Island Housing, (ii) a permanent first mortgage from HUD, (iii) 4% HTC proceeds, (iv) a short term subordinate loan from LISC or similar lender, (v) existing project reserves, and (vi) a deferred developer fee. Following completion of the construction, Rhode Island Housing will not hold any debt on the property; however, Rhode Island Housing will have a 30 year affordability restriction agreement tied to the HTCs.

The request is for preliminary commitment of short term tax-exempt bond financing in an amount of \$7,300,000 for Grace Church Apartments.

Upon a motion made by Commissioner Pratt and seconded by Commissioner Barge 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 two (2) 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: Rhode Island Housing is authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

Whereas: The applicants (“Applicants”) listed below have presented an application to Rhode Island Housing requesting a mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Mortgage</u>
Grace Church Apartments	POAH, Inc	\$7,300,000

Whereas: Staff has reviewed the submission and determined that the Development may qualify for financing under Rhode Island Housing’s enabling legislation, regulations, guidelines and policies.

Approval for the TPA of Limited Partner Interest in Marshfield Commons LP

Mr. Godfrey presented this request.

Marshfield Commons (the “Development”) is an affordable family rental development in North Smithfield, Rhode Island. The Development contains 38 affordable apartments. Marshfield Commons received firm approval for financing and tax credits from Rhode Island Housing in 2011. It is currently under construction and completion is scheduled for spring 2013.

The owner of the development is Marshfield Associates, LP (“Marshfield”). The general partner of Marshfield is an entity controlled by NeighborWorks River Blackstone Valley (“NRBV”), a nonprofit organization. NBRV holds a .011% interest in the Development. The limited partners are (i) Bank of America, NA, (“BOA”) and (ii) Banc of America CDC Special Holding Company, Inc., (the “Withdrawing Limited Partners” or “BOA”) which collectively hold a 99.9% limited partnership interest.

BOA seeks to withdraw from the limited partnership and sell its interests to Hudson Housing Capital (“Hudson”) which will assume the obligations of the Withdrawing Limited Partners going forward, including, among other things, the payment of future capital contributions to the Partnership. Hudson has applied to Rhode Island Housing for approval of the transfer pursuant

to the Rules and Regulations Governing Proposed Prepayment of Transfer (the “TPA Regulations”).

Staff has reviewed the request under the TPA Regulations and has determined that the proposed transaction complies with these requirements. The Development is under construction and currently ahead of schedule. Hudson will assume the obligations of the Withdrawing Limited Partners going forward. The remaining capital contributions, due after construction is completed, total \$6,897,169. The general partner and management team for the Development remain unchanged. Hudson Capital has provided materials required in Phases 2 and 3 of the TPA Regulations including information pertaining to Hudson and its principals. Hudson has not been disbarred or suspended by HUD. Finally, since the original loan documents and regulatory agreements will remain in place, the development will continue to be affordable to low and moderate-income persons as originally structured.

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

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

RESOLVED: That the transfer of the limited partner interest in Marshfield Associates, LP by Bank of America, N.A. and (ii) Banc of America CDC Special Holding Company, Inc., to Hudson Marshfield Commons LLC and Hudson SLP LLC, Hudson Housing Capital’s nominees, be, and hereby is, approved, subject to the following terms and conditions:

1. Receipt by Rhode Island Housing 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 or any Deputy Director, consistent with the nature of this transaction and the protection of the interests of Rhode Island Housing.
2. Satisfaction of any additional requirements that the Executive Director or any Deputy Director believes to be necessary or advisable to protect the interests of Rhode Island Housing 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.

Approval of YouthRap Funding Awards

Mr. Godfrey made this presentation.

This Request for Action is for approval of funding for Youth RAP activities for the period of October 1, 2012 through September 30, 2013.

Commissioner Dimeo noted that his firm is involved with prospective recipients of YouthRap Awards and recused from discussion, consideration and the vote on this item.

In 1990, Rhode Island Housing initiated Youth RAP to provide funds for youth activities at its family apartments. General revenues of Rhode Island Housing are budgeted for the program. All family developments that have been financed through Rhode Island Housing are eligible to participate. Youth RAP programs provide activities which meet these goals: 1) to provide young people with job readiness skills and/or employment opportunities, 2) to provide youth leadership development, self-esteem awareness programs, and academic achievement, 3) to establish working partnerships and collaborations with community agencies, 4) to strengthen relationships between development young adults and the community, 5) to improve the quality of community life within the housing development, and 6) to improve relationships between residents and management. Developments are requested to provide a 25% cash match which may be waived if adequate funds are not available.

Last year, 39 developments ran 22 programs and served 824 out of the possible 939 young residents (89%). The Youth RAP program helps young adults acquire the skills, knowledge and supports their progress to become productive adults. Youth RAP offers meaningful support, mentoring, out-of-school programming, job training, high quality additional education programs and a greater connection to community, school and family. Attachment A sets forth FY 2012 program highlights.

The proposals for this year demonstrate significant resource sharing, as well as leveraging, in-kind support and cooperation among programs. All developments are proposing full year-round programs. The proposed Youth RAP funding is included in the FY 2013 Budget for Rhode Island Housing approved at the October meeting.

In March 2012, Rhode Island Housing issued a Request for Proposals to all eligible family developments and received 18 applications for 18 programs at 35 developments. A review committee of Rhode Island Housing staff evaluated the applications and is recommending funding for 34 developments through 17 programs. A list of the proposed program recommendations is included as Attachment B. Recommendations to the Board were delayed to bring them in line with budget reductions for FY 2013. The total cost to Rhode Island Housing is \$450,000 and participating developments will contribute an additional \$140,494 in matching funds. Five programs have requested a waiver of the match requirement, four were granted a waiver after a review of the developments' financial ability to contribute.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro the following resolution was approved with 5 votes in favor, none opposed and one recusal by Commissioner Dimeo. Commissioner Dimeo did not participate in the discussion, consideration or vote on this resolution.

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

- WHEREAS,** Rhode Island Housing has financed the development and operation of apartments for families throughout Rhode Island; and
- WHEREAS,** Employment, education and enrichment activities for young people living in those apartments contribute to the quality of life of all apartment residents; and
- WHEREAS,** Rhode Island Housing has developed the Youth RAP Program to support the provision of employment, education and enrichment activities for young people living in Rhode Island Housing-finance developments; and
- WHEREAS,** Rhode Island Housing issued a Request for Proposals from Rhode Island Housing-financed developments to provide such services; and
- WHEREAS,** Owners of Rhode Island Housing-financed apartments have submitted plans to provide such activities and, where possible, will provide funds towards such activities; and
- WHEREAS,** The developments listed in the schedule presented as Attachment A to this Request for Action have been determined to be eligible to participate in the Youth RAP Program.

NOW THEREFORE IT IS HEREBY:

- RESOLVED,** The Corporation is authorized to provide up to \$450,000 for Youth RAP activities (October 1, 2012 to September 30, 2013), to the developments and in the amounts set forth in the schedule presented as Attachment A to this Request for Action
- RESOLVED,** That any Deputy Director and the Director of Resident Services, each acting singly, be and hereby is authorized and directed to undertake any and all actions they deem necessary to carry out the foregoing resolution.

Even though Commissioner Dimeo did not participate or vote on the YouthRap Awards he did express his full support of the program. Commissioner Barge also noted that the program produced positive outcomes and improvement in its participants' confidence and educational opportunities.

Authorization to Enter Into Line of Credit Arrangement with Bank Rhode Island

Mr. Godfrey gave this presentation.

Over the past several years Rhode Island Housing has seen an increase in the number of requests for short-term multi-family construction loan financing. Previously multi-family developers were able to obtain financing through traditional lending institutions. Due to additional banking regulations and tightening of credit standards it has become more and more difficult for developers to obtain this type of financing.

Rhode Island Housing uses short term funding in the form of floating rate lines of credit to provide this construction lending. Since mortgage loan yields are higher than the borrowing cost on the line, use of the line will produce net revenues. Rhode Island Housing presently has three such lines with its banking partners. This new line would add some additional liquidity and allow us to continue to provide construction loan financing.

Bank Rhode Island (the “Bank”) has offered to extend a line of credit in the amount of \$5,000,000 on terms very similar to our existing lines of credit. A term sheet for the proposed line was included as Attachment A to the RFA.

Staff will use this new line to supplement its other short term funding sources in varying amounts depending on seasonal loan origination activity. Rhode Island Housing maintains a conservative balance of interest rate sensitive assets versus variable rate liabilities and even full use of this line will leave that balance conservatively aligned. The line will be reviewed at least annually and adjustments to terms and conditions requested by either party may be incorporated in the line agreement depending on the then current borrowing environment.

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, Rhode Island Housing is authorized to enter into a \$5,000,000 Revolving Line of Credit arrangement (the “Loan”) with Bank Rhode Island (the “Bank”) substantially in accordance with the terms and conditions set forth in the October 11, 2012 Commitment Letter from the Bank attached to the Request for Action as Attachment A.

Resolved, That the Executive Director, any Deputy Director or the Director of Finance and Technology (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with the Bank as the Bank may require to evidence the Loan, including, without limitation, a note and loan 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.

Convening of the Rhode Island Housing Development Corporation

Chairman DeRentis recessed the open meeting at approximately 9:18 a.m. at which point a meeting of the Rhode Island Housing Development Corporation was convened.

At approximately 9:25 a.m. the meeting of the Rhode Island Housing Development Corporation was adjourned and the Rhode Island Housing Board meeting was reconvened.

There being no further business to discuss, a motion was duly made by Commissioner Pratt and seconded by Commissioner Barge to adjourn the open meeting at approximately at 9.26 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director