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, June 27, 2013 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; Paul Dimeo and Andrew L. Cortés. Jose Monteiro and Steven Costantino were absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Robert Wickey, Deputy Director/CFO; Kara Lachapelle, Director of Finance and Technology; Carol Ventura, Director of Development; Cathleen Paniccia, Director of Homeownership; Leslie McKnight, Director of Servicing; Carlos Hernandez, Director of Resident Services, and Peter Walsh, Director of Administration, Customer Service and Community Relations.

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 8:35 a.m.

Approval of Minutes of Board Meeting Held on May 16, 2013

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

VOTED: That the Minutes of the Board Meeting held on May 16, 2013 hereby are approved.

Chairman's Report

Chairman DeRentis welcomed everyone to the meeting and introduced and extended a warm welcome to Andrew Cortés, the Director of the Building Futures, and Rhode Island Housing's new member of the board. Mr. DeRentis wished him success on his appointment.

Committee Reports

Chairman DeRentis announced that the Audit Committee convened on May 16, 2013 to meet with LGC&D, the auditors for Rhode Island Housing to discuss expectations for the current year audit.

Commissioner Pratt, Chair of the Audit Committee, provided an update on the meeting. Steve Geremia of LGC&D outlined the scope of services they will provide and the financial statement audit focus areas. Steve also discussed the internal controls of the organization and the testing related to those controls. Also discussed was the significant audit areas and the comparative effect new accounting standards will have on the financial statements for FY '14. A copy of the minutes of the May 16, 2013 Audit Committee was provided in the June 27, 2013 Board package.

Executive Director's Review of Recent Activities and Trends

Mr. Godfrey congratulated and welcomed Commissioner Cortés to the Board of Commissioners and affirmed that he is looking forward to Mr. Cortés participation.

Mr. Godfrey also announced the appointment of Gayle Corrigan as the new Deputy Director for Programs of Rhode Island Housing. Mr. Godfrey expressed confidence that Ms. Corrigan's broad experience and expertise will add value to Programs and enrich the expansion of Rhode Island Housing's mission. Ms. Corrigan will be introduced at the next board meeting.

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

Rhode Island Housing continues to have an active presence at the Statehouse and monitors legislation potentially affecting Rhode Island Housing. The 8% tax bill treatment is of great concern to Rhode Island Housing and affordable housing owners and developers. R.I.G.L. §44-5-12 is the general statute dealing with assessment of real property within the state. It states that "any residential property encumbered by a covenant recorded in the land records in favor of a governmental unit of Rhode Island Housing and Mortgage Finance Corporation restricting either the rents that may be charged or the incomes of the occupants shall be taxed in accordance with §44-5-13.11." This section applies to all deed-restricted residential properties. It makes no distinction between newly constructed or rehabilitated projects.

Mr. Godfrey stated that Rhode Island Housing has financed and operated projects based on representations regarding tax treatments as well as "letters of comfort" that various cities and towns sent to our many partners. Specific examples include the Blackstone Valley Gateway Project in Pawtucket and the Marshfield Commons Development in N. Smithfield.

If the financial community cannot rely on these representations it will be extrememly challenging to fund the construction or rehabilitation of future affordable housing in municipalities who attempt to take that approach.

Mr. Godfrey informed the Commissioners that due to current capital market conditions, tax-exempt bonds no longer provide the interest rate advantage utilized during the previous 40

years. In an effort to maintain affordable financing options, Rhode Island Housing has established new methods of obtaining the funds needed to lend to customers. These new financing methods involve participating in dynamic international capital markets in which standardization of loans and responsiveness to change are of paramount importance. To meet the requirements of these new capital markets, staff has made some changes to programs. They have eliminated the impact of recapture, home inspection requirement and, most recently, its' stepped interest rate feature. In addition, Rhode Island Housing's home mortgage interest rates are now subject to change up to two times daily.

Mr. Godfrey announced that staff is doing foundation work on the FY 2014 budget and intends to bring it to the Board in August.

Approval of Homeownership Construction Loan for REACH

Mr. Godfrey presented this request.

This Request for Action is for approval of a new Revolving Construction Loan Facility (the "Loan Facility") under the Home Development and Homeownership Loan Program (the "HDHLP") to Realty Endeavors for Affordable Community Housing ("REACH") in the amount of $500,000 for the construction of homeownership opportunities. The HDHLP provides development organizations with access to capital to construct housing for sale to low and moderate income buyers. To date, more than 100 homes have been developed through HDHLP primarily in the City of Providence.

REACH was established in 1989 and over the past 23 years has developed 45 homeownership opportunities in Central Falls, Cranston, Providence and Cumberland. REACH initially plans to use the Loan Facility to build and rehabilitate up to five single family homes in Central Falls. All of these homes will be sold to first-time homebuyers and we expect that most of these buyers will obtain permanent financing through Rhode Island Housing's First Homes programs

In August 2006, the Board of Commissioners approved a $500,000 Revolving Construction Loan Facility for REACH. With this previous loan facility, which expired in 2009, REACH successfully developed and sold six homeownership opportunities in the Mount Hope neighborhood of Providence. REACH used a combination of construction financing, Rhode Island Housing and City of Providence HOME funding to make these homes affordable for the first-time homebuyers.

The city of Central Falls uses Community Development Block Grant (CDBG) funds to purchase and demolish blighted buildings in the city. It intends to transfer lots to REACH for homeownership development at no cost. Given the past success of REACH in developing both homeownership and rental opportunities, the Development Division is recommending a new $500,000 five-year revolving Loan Facility to fund additional REACH homeownership development projects. Under the new Loan Facility, REACH may borrow to develop up to five homes at any one time, provided that all but two of the homes under development at any one time must be pre-sold to qualified buyers. Each loan made under the Loan Facility to develop a home will have a three-year term.

To satisfy the "pre-sold to qualified buyers" requirement noted above, the Rhode Island Housing Homeownership Division will pre-qualify applicants with purchase and sales commitments to purchase the homes. The homes will be sold to first-time low and moderate income homebuyers with incomes no greater than 80% of the area median income. A provision will be made to allow for the sale of homes to buyers with incomes at or below 115% of median if no HOME or CDBG funds are used and an appraisal supports the higher loan and sales price.

The interest rate for each loan made under this new Loan Facility will be set at and vary each month based on one-month LIBOR plus 3%, with a rate floor of 4% and cap of 7%.

Mr. Godfrey introduced Bill Siemers, Executive Director of REACH who thanked the board for their consideration.

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

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

Whereas, Rhode Island Housing is authorized to make loans to sponsors for such developments as in the judgment of Rhode Island Housing promise to supply well-planned, well-designed single family and two family homes and condominiums, which will provide housing affordable to low and moderate income persons or families;

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

Whereas, Realty Endeavors for Affordable Community Housing, Inc. ("REACH") has presented an application to Rhode Island Housing for a revolving line of credit to construct residential housing as set forth in the attached Request for Action; and

Whereas, Development staff has reviewed the application, will inspect the proposed sites and will determine whether these developments qualify for financing under Rhode Island Housing's enabling legislation, regulations, guidelines and policies.

NOW, THEREFORE, IT IS HEREBY:

Resolved, That Rhode Island Housing be and hereby is authorized to enter into a five-year Revolving Construction Loan Facility agreement with REACH pursuant to which REACH may borrow construction funds for residential development projects provided, however, that the aggregate amount of outstanding loan advances may not exceed $500,000 at any one time. The advances made under this Loan Facility will be structured generally in accordance with the description contained herein, with such changes as the Executive Director, any Deputy Director or the

Director of Development may, in their sole discretion determine to be necessary or advisable.

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

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

1. For creation of the Loan Facility execution of a master loan agreement by REACH satisfactory in form, content and substance in all respects to Rhode Island Housing and its counsel;
2. For each loan under the Loan Facility submission of all construction contracts, plans and specifications, marketing plans, construction budgets, schedule of payments, lien releases, gap financing funds, home buyers applications and other documentation necessary for approval of the advance under the Loan Facility and the permanent home buyer loan; and
3. For each new loan under the Loan Facility, Rhode Island Housing pre-qualification of any homebuyer that REACH intends to rely on to meet Rhode Island Housing's "pre-sold to qualified buyers" requirement.

Organizational Meeting for Election of Vice Chair and Treasurer and Approval of Committee Structure

Mr. Godfrey announced that with the departure of Denise Barge as Vice Chair, Rhode Island Housing's By-Laws mandate that the Board of Commissioners obligate a Vice Chair and Treasurer. By statue, Mr. Godfrey is the Secretary. To comply with Regulations, an election of a new Vice Chair and Treasurer is necessary. Per Rhode Island Housing's By-Laws, the Treasurer of the Board is also Chair of the Audit Committee.

Chairman DeRentis nominated Commissioner Dimeo for the position of Vice Chair of the Board of Commissioners.

Upon a motion made by Commissioner DeQuattro and seconded by Commissioner Cortés the Commissioners unanimously voted Paul Dimeo as Vice Chair.

Following the vote, Chairman DeRentis called for approval of Commissioner Pratt as Treasurer.

Upon a motion made by Commissioner DeQuattro and seconded by Commissioner Dimeo the Commissioners unanimously voted Commissioner Pratt as Treasurer.

Mr. Godfrey then presented information relating to the proposed committee structure.

The Board of Commissioners of Rhode Island Housing is empowered under its by-laws to designate standing committees of its members and additional committees of commissioners, officers and employees to help carry out its business and perform such other functions as are established by resolution. Unless otherwise prescribed by the Board, such committees operate under the rule of majority to determine their course of action and fix the time and place of meetings.

From time to time it is advisable to reconsider and reconfigure such Board committees for reasons of efficiency and practicality. The attached resolution proposes a simplified Board committee structure, limited to the following three committees:

a. Management, Budget and Human Resources. This committee will oversee the preparation of the annual budget and human resource policies of the organization and meet with the Executive Director at least quarterly to provide feed-back on individual and agency performance. It will also develop recommendations for the full Board with regard to strategic direction.

b. Legal and Legislative. The Legal Committee will oversee the selection of outside counsel for Rhode Island Housing and consult on major litigation matters.

c. Audit and Finance. The Audit Committee is the only standing committee mandated by the by-laws. It will continue to meet with the External Auditor at least twice a year and oversee the engagement of the external auditor every two years. The finance function of this committee primarily relates to selecting members of the agency's underwriting team.

Each committee will be comprised of a minimum of three commissioners appointed by the Chair, and will be governed by majority rule.

The attached Resolution relating to the reorganization of Rhode Island Housing's committee structure is recommended for approval.

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

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

WHEREAS, The by-laws of the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island "designate one or more standing committees, each of which shall consist of at least three (3) commissioners. Each such committee, to the extent provided in the resolution creating the same, …may exercise the authority delegated to it by the Board of Commissioners unless the delegation of such authority shall be prohibited by law… A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise prescribe."; and

WHEREAS, In addition, the Board "may by resolution from time to time create such additional committees consisting of commissioners, officers, employees or other persons designated by it to advise the Board on matters designated by the Board and to perform such other functions and duties as the Board shall by resolution prescribe."; and

WHEREAS, The Board now wishes to reorganize its committee structure.

NOW, THEREFORE, BE IT:

RESOLVED: That a Management, Budget and Human Resources Committee be, and hereby is, established, to oversee the preparation of the annual budget and human resource policies of the organization, meet with the Executive Director at least quarterly to provide feed-back on individual and agency performance, and develop recommendations to the full Board with regard to strategic direction; and

RESOLVED: That a Legal and Legislative Committee be, and hereby is, established to oversee the selection of outside counsel for Rhode Island Housing and be consulted on major litigation matters; and

RESOLVED: That the committees established in the foregoing resolutions shall each by majority vote of its members take official action and set the time and place of its meetings; and

RESOLVED: That the Audit Committee established in the by-laws of Rhode Island Housing shall continue to meet with the External Auditor at least twice yearly, oversee the engagement of the external auditor every two years, and select members of the agency's underwriting team; and

RESOLVED: That the Board Chair is hereby authorized to, and shall, appoint a minimum of three (3) members to each of the Committees created and/or named in the foregoing resolutions.

Approval of Definition of "Persons and Families of Low and Moderate Income"

Mr. Godfrey provided this presentation.

Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") is empowered under its enabling legislation to serve "persons and families of low and moderate income" in connection with its lending programs. "Persons and families of low and moderate income" is defined as "persons and families irrespective of race, creed, national origin, or sex deemed by the corporation to require… assistance… on account of insufficient personal or family income," taking into consideration a number of factors, such as household income, family size, the cost of housing and the availability of credit.
See R.I. Gen. Laws 42-55-2, -3.

In furtherance of this corporate purpose, Rhode Island Housing routinely engages with local, state and federal partners to carry out various housing finance and refinance programs (for example, initiatives of the Federal Housing Finance Administration, Fannie Mae, Freddie Mac, Ginnie Mae or the Department of Treasury). Such programs may require participating lenders to adopt program-specific guidelines, such as customer income limits and/or maximum loan amounts. Traditionally, Rhode Island Housing has relied upon the federal tax regulations governing the issuance of tax exempt bonds to establish its first-time homebuyer eligibility criteria. Staff currently has need to articulate new and different eligibility criteria to reflect its expanded loan product offerings (including an HFA-preferred Fannie Mae product). The attached Resolution empowers staff to adopt these program guidelines in order to serve low- and moderate-income Rhode Islanders efficiently and with a wide array of products and services.

The attached Resolution relating to the establishment of income limits for various Rhode Island Housing programs is recommended for approval.

A brief discussion followed the presentation. Commissioner Cortés expressed some concern regarding the implementation of the new guidelines. He felt that broadening the range would allow customers with income brackets much higher than the low to moderate lending criteria to apply for Rhode Island Housing mortgages. Commissioner Cortés questioned the verification that the new guidelines conform to Rhode Island Housing's "Enabling Act." Steve Richard, Corporate Counsel, provided a verbal statement that he reviewed the request for action and resolution prior to the Board meeting and confirmed that the request was consistent with the Rhode Island Housing and Mortgage Finance Corporation Act under Chapter 42-55 of the Rhode Island General Laws.

Commissioner Cortés thanked Mr. Richard for his verbal confirmation, however requested a written opinion from General Counsel. Steve Richard agreed to provide the Board of Commissioners with the requested opinion.

Upon a motion made by Commissioner Pratt and seconded by Commissioner DeQuattro the following resolution was approved with 4 votes in favor, none opposed, and one abstention by Commissioner Cortés.

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

WHEREAS, Pursuant to section 42-55-7 of the Rhode Island General Laws, Rhode Island Housing is granted the power, among its other powers, "To invest in, purchase or to make commitments to purchase … from mortgage lenders, of notes and mortgages evidencing loans for the construction, rehabilitation … purchase… or refinancing of housing for persons and families of low and moderate income"; and

WHEREAS, Subsection 42-55-7(3) grants Rhode Island Housing the power "…to make loans directly upon the security of a mortgage…provided that the underlying mortgage

loans have been made and shall continue to be used solely to finance or refinance the construction rehabilitation or purchase or leasing of residential housing for persons of low and moderate income…"; and

WHEREAS, Since 2007 there have been and continue to be dramatic changes in the methods and systems of private and government-assisted financing and refinancing of homes owned by individuals and families; and

WHEREAS, Individuals and families of low and moderate income face continuing challenges in obtaining affordable financing for the purchase and refinancing of homes; and

WHEREAS, On Wednesday May 29, 2013, the Consumer Financial Protection Bureau (CFPB) released a final rule that exempts all loans made pursuant to state housing finance agency (HFA) programs from the requirements of the Bureau's Ability-to-Repay/Qualified Mortgage (QM) rule and clarifies that this exemption applies to both loans originated directly by HFAs and loans originated by HFAs' lender partners pursuant to HFA programs; and CFPB explains that, given HFAs' strong track record of responsible lending to low- and moderate-income borrowers, forcing them to comply with requirements of the Ability-to-Repay rule would provide little benefit to consumers and might limit lower-income borrowers' access to affordable home lending; and CFPB notes that HFAs already follow strict, responsible underwriting standards, and that as HFAs extend credit to promote long-term housing stability, rather than for profit, HFAs generally extend credit after performing a complex and lengthy analysis of a consumer's ability to repay; and

WHEREAS, Numerous federal, state and local programs have been developed or modified to promote the purchase and refinancing of homes for persons and families of low and moderate income; and

WHEREAS, Rhode Island General Laws section 42-55-3(18) provides that "'Persons and families of low and moderate income' means persons and families deemed by [Rhode Island Housing] to require [housing] assistance… on account of insufficient personal or family income…"

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing may, for the purpose of determining whether financing should be provided, adopt the program guidelines of any federal, state or local housing program that has as its primary purpose the providing of financing or refinancing for the purchase, construction or rehabilitation of homes to persons and families of low, moderate or middle incomes; including without limitation, guidelines adopted by the Federal Housing Administration, the Federal Housing Finance Administration, Fannie Mae, Freddie Mac, Ginnie Mae and the Department of Treasury which may include limitations other than those specifically related to individual or family income; such as limitations on loan amounts or various hardship factors; and

RESOLVED: That from time to time Rhode Island Housing may issue specific program bulletins, policies and procedures establishing specific program rules especially where the amount of available funds may be limited and it is in the public interest that funds should be allocated to those individuals and families with the greatest needs; and

RESOLVED: That the Executive Director, any Deputy Director or the Director of Homeownership acting singly or collectively is authorized to undertake any and all actions necessary to implement programs to finance or refinance the purchase, construction or rehabilitation of residential housing for persons and families of low and moderate income.

Approval of Homeownership Opportunity Bonds Series 64

Mr. Godfrey gave this presentation with additional comments provided by Robert Wickey, Deputy Director/CFO.

Staff continuously monitors single family loan origination activity, prepayment speeds of existing mortgages, refunding, recycling and optional redemption opportunities for existing bond offerings, 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.

Due to the current low interest rate environment, Rhode Island Housing has the opportunity to refund approximately $85 million of previously issued bonds at lower rates. Refunding these bonds will generate interest savings, which can be used to offset foreclosure losses in the indenture and provide relief to troubled borrowers through temporary loan modifications.

In addition, based on alternative bond structures and new loan origination activity, we may have the opportunity to issue up to $35 million of bonds for future loan production. We are requesting the full $125 million of issuing authority to enable Rhode Island Housing to respond promptly in the event market conditions make it beneficial to take advantage of these identified opportunities. The resolution also provides flexibility to break the issue into smaller tax plan components to better time the bond sale to accommodate market conditions and fund delivery requirements.

Staff recommends the issuance of up to $125 million of bonds within the Homeownership Opportunity Bond program.

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 June 27, 2013 board package.

Authorization to Employ Alternative Single-Family Funding Methods

Mr. Godfrey outlined this request.

This Request for Action ("RFA") seeks final approval and authority to utilize two alternative methods for funding our single-family lending activity. As previously discussed with the board, prevailing capital market conditions have nearly eliminated the interest cost advantage we historically realized from our traditional method of funding single-family loans (i.e. the issuance of tax-exempt mortgage revenue bonds ("MRB")). As a result we are unable to offer competitive mortgage rates to our customers using this funding method.

After examining all available single-family funding alternatives staff have concluded that the best available methods of funding these loans would be either the immediate sale of the loans to FNMA or other whole loan purchasers or the delivery of these loans to GNMA or FNMA in exchange for mortgage-backed securities ("MBS") and the immediate sale of these MBS into the to be delivered ("TBA") market.

The resolution set forth below authorizes Rhode Island Housing to participate in these alternative funding programs and for the Executive Director or any Deputy Director, each acting alone, to enter into any contract, establish any securities brokerage account and take all other actions any of them may deem necessary and appropriate to achieve the purposes of this RFA.

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

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

Whereas, Capital market conditions have required Rhode Island Housing to seek alternative funding strategies to continue to offer low and moderate income Rhode Island residents affordable single-family mortgage interest rates; and

Whereas, After thorough review of all available alternative funding strategies, Rhode Island Housing staff have concluded that Rhode Island Housing should pursue two alternative strategies for funding our single-family lending activity, as follows: 1) the direct sale of new single-family mortgage loans to FNMA or other purchasers; and, 2) the exchange of new single-family mortgage loans for GNMA, Fannie Mae or Freddie Mac mortgage-backed securities ("MBS") and then the immediate sale through one or more registered broker/dealers of these MBS to participants in the to be delivered ("TBA") market; and

Whereas, Rhode Island Housing staff, in consultation with Caine Mitter, Rhode Island Housing's financial advisor (retention of whom was previously authorized by the board), have determined that such alternative lower cost funding sources constitute the best available alternative at this time for funding Rhode Island

Housing's single-family lending activity and therefore would be in the best interests of the residents of Rhode Island;

NOW, THEREFORE, BE IT RESOLVED:

Resolved, That the Board of Commissioners hereby authorizes Rhode Island Housing's use of the single-family funding arrangements described above and confirms the authority and power of the Executive Director or any Deputy Director to:

(A) enter into negotiations with lenders, financial institutions or other entities with respect to the implementation of the single-family funding arrangements described above;

(B) commit Rhode Island Housing to the sale or assignment of mortgage loans with respect to these programs, and to the sale of MBSs generated thereby;

(C) commit Rhode Island Housing to the sale or assignment of mortgage loans with respect to the whole loan purchase programs of Fannie Mae or Freddie Mac;

(D) contract with and establish securities trading accounts with one or more registered broker/dealers with respect to the execution of any sale or assignment of MBS or mortgage loans; and

(E) as long as Rhode Island Housing staff continue to deem implementation of the foregoing programs reasonable and appropriate to maintain cost effective financing sources for funding single-family lending programs, to execute and deliver any and all documents which they deem necessary and appropriate to effectuate the same.

Preliminary Commitment of Financing for Park Holm

Mr. Godfrey delivered this presentation.

Commissioner Dimeo recused from the discussion, consideration and vote on this matter to avoid the appearance of a conflict due to the fact that his business submitted a proposal for Park Holm.

This Request for Action ("RFA") seeks preliminary approval of financing for the preservation of 92 homes and the development of 19 new homes at Park Holm, a development currently owned and operated by The Housing Authority of Newport ("HACN"). HACN, a public housing authority, is seeking to (i) undertake additional renovations to 51 apartments that were partially rehabilitated in 2010/11 ("Phase I"), and (ii) demolish 41 existing apartments and replace with 60 new apartments ("Phase II"). Collectively, Phase I & II represent 111 homes (the "Development") which are part of a multiple pronged effort to rehabilitate Park Holm and create more diverse housing options in the North End of Newport.

Park Holm is an existing 262 unit family public housing development in the North End of Newport. It fronts Hillside Ave and sits across from Miantinomi Park and is adjacent to Newport Heights which was revitalized under a HOPE VI grant. The Phase I homes include 14 one-bedroom, 35 two-bedroom and 2 four-bedroom apartments. Phase II will include 56 three-bedroom and 4 four-bedroom apartments.

The 51 apartments in Phase I were substantially rehabilitated in 2010 and 2011 with Weatherization and Public Housing Capital Funds made available through the American Recovery and Reinvestment Act of 2009 ("ARRA"). The exteriors were transformed with new roofs, windows and siding. Significant attention was paid to energy efficiency. Interior repairs included new kitchens, baths and mechanical systems. As part of this Development, the apartments will undergo additional rehabilitation of approximately $7,000 per unit. The current scope includes exterior storage, noise mitigation (carpeting on interior stairways) and fencing for the individual buildings.

HACN has a Master Plan to moderately renovate a large portion of the 262 units within the site and demolish the buildings in the poorest condition over several phases. The proposed Development seeks to address the most severely distressed buildings at the Park Holm site. The buildings targeted for demolition and replacement were identified by the architects as distressed and obsolete. The cost to rehabilitate them was estimated to be near the cost of new construction however without modifying the footprint it did not address concerns about obsolescence. Phase II plans call for the demolition of 41 apartments in 20 buildings and the construction of 60 new apartments in 10 buildings. The density will increase at this site from 9 to 11 units per acre, however fewer buildings will provide for a greater amount of open space including landscaping, parking, walking paths and recreational space. The new homes will be mostly townhouse style buildings with separate entrances for each apartment. The apartments will have efficient layouts that conform to Rhode Island Housing requirements and replace existing, obsolete homes. As the budget allows, the architect is seeking to incorporate the most energy efficient building products.

All of the existing homes are currently deeply subsidized public housing units that serve residents with incomes up to 80% of Area Median Income ("AMI"). The rent for these public housing units is provided by HUD through an Annual Contributions Contract ("ACC"). Residents pay 30% of their incomes towards rent. The new homes will be developed under the Low Income Housing Tax Credit ("HTC") program, under which admission to the units will be restricted to households with incomes up to 60% of AMI The new homes will be a mix of ACC units, HTC units with a Project Based Section 8 Voucher ("PBV") from the HACN and 18 homes will be HTC units without any rent rental or operating subsidy. Any existing residents with incomes above 60% AMI will be offered permanent relocation.

The Housing Authority will submit a Relocation Plan to ensure that all existing residents are relocated as efficiently as possible. All income eligible existing residents in good stand will have a priority right of return to the new development. HACN has committed to one-for-one replacement of all existing units over the course of the entire Park Holm redevelopment.

The Housing Authority of the City of Newport is the sponsor and primary developer of the Park Holm redevelopment. HACN was incorporated as a public housing authority under the laws of the State of Rhode Island and owns and operates over 800 units of public housing and administers approximately 500 Housing Choice Vouchers. HACN, in partnership with a private developer, successfully completed the revitalization of the former Tonomy Hill development, now known as Newport Heights, however HACN has no direct rental housing development experience. Therefore, they have issued a Request for Proposals ("RFP") to solicit a development partner experienced in tax credit development particularly relating to compliance with HTC requirements, construction oversight and rent-up of HTC units. In addition, since there are restrictions on the pledge of HACN's federal funds, HACN will require its development partner to provide operating and tax credit guarantees.

The Development will be owned by a limited partnership or LLC which will own all of the buildings in the project and lease the land from HACN under a long-term ground lease. The existing buildings containing the 51 units will be purchased by the partnership for the appraised value of $4,525,000, with the partnership giving a soft note to the HACN for the purchase price. The HACN or a related entity will be the co-general partner of the owner.

The HACN applied to Rhode Island Housing for 2013 9% tax credits for the development of 60 homes (Phase II) however the proposal was not funded. The HACN and their development team creatively re-worked their proposal by incorporating Phases I & II into one entity in order to utilize tax exempt financing and 4% credits. The larger proposal creates some economies of scale in regards to management, construction and syndication. The total development cost is approximately $24.7 Million. The HACN is currently soliciting proposals for a tax credit syndicator. Rhode Island Housing will provide approximately $12M in tax exempt construction financing in order to generate approximately $800,000 in tax credits.

In conjunction with BankNewport, HACN received a subsidy and grant award (the "Subsidized Advance") from the Federal Home Loan Bank of Boston ("FHLBB"). The Subsidized Advance allows BankNewport to lower the rate and maximize the size of the first mortgage. Because of the HTCs and public subsidy dollars invested in the Development, Rhode Island Housing prefers to be in the Senior Loan position in order to ensure compliance with the various program requirements. As we have done with other BankNewport and lenders, the Subsidized Advance will pass through BankNewport, which is a FHLBB member bank, to Rhode Island Housing, which will in turn fund the first mortgage loan to the development. The cost of the Subsidized Advance is less than Rhode Island Housing's usual cost of capital and allows for a mortgage at a reduced interest rate. The loan from BankNewport to Rhode Island Housing will be non-recourse, and will be secured by a pledge of the loan documents from Rhode Island Housing to the new Limited Partnership.

In addition to the construction loan which will be repaid at completion, the primary sources of financing are (i) a first mortgage from Rhode Island Housing via a pass-thru structure with BankNewport; (ii) Capital funds, Replacement Housing Factor funds and Relocation funds from the HACN; (iii) equity from the sale of Housing Tax Credits; (iii) Building Homes Rhode Island funds; (iv) an award of Affordable Housing Program grant funds from the Federal Home Loan

Bank (sponsored by BankNewport); (v) a Community Development Block Grant; (vi) a seller held loan; and (vi) a deferred developer fee

In support of this plan Park Holm residents will be offered employment and job training through various programs offered through the Park Holm Rode to Success Program (RTS). HACN will hire a full time case management specialist to work with families in Park Holm to create Individual Training and Service Plans (ITSPs). HACN also has several collaboration service partners such as the East Bay Community Action Program to provide ESL GED, Family Literacy, childcare, and Health services.

This Request for Action is for preliminary approval of tax-exempt construction financing in the amount of $12,000,000 and a permanent first mortgage made in partnership with BankNewport of $6,379,000.

Upon a motion made by Commissioner Pratt and seconded by Commissioner Cortés the following resolution was approved with 4 votes in favor, none opposed; one recusal by Commissioner Dimeo. Commissioner Dimeo recused and did not participate in the discussion, consideration or vote on this resolution:

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

Whereas, Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of Rhode Island Housing have promise of supplying well-planned, well-designed apartment units which will provide housing for low and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

Whereas, Rhode Island Housing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, said bonds shall have a term not to exceed two (2) years and shall be in the approximate amount sufficient to finance the mortgage, to pay the costs of issuance, to fund a Capital Reserve Fund, and to provide the capitalized interest if determined to be necessary;

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

Development	Applicant	Tax Exempt Loan	Permanent Mortgage

Park Holm	Housing Authority of Newport	12,000,000	$6,379,000

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby preliminarily approves a construction loan to be financed by tax-exempt bonds in amount up to $12,000,000 to Housing Authority of Newport, or an affiliated partnership (the "Borrower") for rental housing located in Newport, Rhode Island.

Resolved, Rhode Island Housing hereby declares that the preliminary approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing towards the issuance of bonds to finance up to a $12,000,000 in mortgage funds, the required reserve funds, the related costs of issuance for the Bond issue for the above- named development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

Resolved, That, subject to the special conditions listed below, the Rhode Island Housing hereby gives firm approval of financing for a taxable first mortgage loan Borrower in an amount not to exceed $6,379,000 (the "Loan") for family housing located in Newport, Rhode Island.

Resolved, That, in order to fund Rhode Island Housing's loan to Park Holm, Rhode Island Housing may enter into a $6,379,000 loan arrangement (the "Loan") with BankNewport substantially in accordance with the terms outlined in this Board Action; and

Resolved, That Rhode Island Housing may secure the Loan by granting to BankNewport security or other interests in certain of Rhode Island Housing's assets, including, without limitation, an assignment of Rhode Island Housing's loan documents with Park Holm.; and

Resolved, That the Executive Director, any Deputy Executive Director or the Director of Development (each, an "Authorized Officer"), acting singly, be and each hereby is authorized to enter into such documents with BankNewport as BankNewport may require to evidence the Loan, including, without limitation, a loan agreement, special obligation note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and

each such determination is hereby fully and completely approved and adopted as the valid action of and by Rhode Island Housing, approved in all respects by the Commissioners of Rhode Island Housing;

Resolved, That the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of Rhode Island Housing of all such other agreements, documents and instruments and the performance by Rhode Island Housing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by Rhode Island Housing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by Rhode Island Housing, approved in all respects by the Board of Commissioners; and

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

- HUD approval of the mixed financing proposal, including demolition and construction of new Tax Credit and market units within the existing Park Holm neighborhood.
- A Regulatory and Operating ("R&O") Agreement, acceptable to Rhode Island Housing, between the HACN and the Borrower. regarding the public housing assisted units
- Acceptable final appraisal by independent appraiser that supports the purchase prices and demonstrates that the new loan does not exceed 90% of the as-stabilized value of the property.
- Provision of an acceptable letter of commitment from an equity provider for the transaction demonstrating syndication proceeds from 4% Housing Tax Credits in amounts sufficient to assure development feasibility.
- Approval of BHRI bond funds and HACN Funds sufficient to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing funds.
- Approval by Rhode Island Housing of all members of the development team including Development Partner and Management Company.
- Approval of the new operating budget.
- Approval by RIH of management documents and all management related issues including marketing and leaseup plans.
- Approval by Rhode Island Housing of construction plans and specifications, General Contractor selection and construction documentation.
- Approval by bond underwriter and bond counsel that the loan will satisfy all required bond provisions for the bond issue.

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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.

Preliminary Commitment of Financing for Harris Mill Lofts

Mr. Godfrey extended background information on this request.

This Request for Action ("RFA") is for Preliminary Approval of financing for Harris Mill (the "Development"), the rehabilitation of a historic textile mill in Coventry. Brady Sullivan Properties and Starr Development are the Co-Developers (the "Developer").

Several developers have attempted to redevelop the Harris Mill over the past decade. The most recent attempt resulted in the property being placed with a Receiver. The Developer acquired the property through the Receivership process in March 2013. Their plan is to create a 156 unit mixed income community with 56 one-bedroom and 90 two bedroom apartments. The one bedroom apartments will all be flats and square footages will range from 745 square ft to 1,259 sq. feet. The two bedroom apartments will be a combination of flats and lofts. They will range in size from 803 square feet to 1,707 square feet.

Eighty percent (80%) of the apartments will be market rate and twenty percent 20% will be affordable. The affordable apartments will be spread throughout the development and will be proportionally divided between the one and two bedroom configurations. In addition, the Development will include a basketball court (in the Mill's the former power plant), a library, exercise room and clubhouse that will be available to all residents. This "80/20 development" will be eligible to be financed with tax-exempt private-activity bonds.

The Harris Mill complex was originally built in 1850 with several later additions, the last of which was added in 1953. The Harris Mill was a textile mill complex located on the north side of Main Street in the village of Harris in the northeastern corner of the town of Coventry. The mill complex is located on the north bank of the North Branch of the Pawtuxet River, and occupies 4.29 acres on two contiguous parcels bordered by commercial Main Street to the south, residential Harris Street to the west, Mill Street to the north, and Broad Street to the east. The mill is approximately one-quarter mile northwest of the village of Phenix in the town of West Warwick

The complex includes ten contributing buildings that connect to form the Mill, and one contributing structure, the Headrace, all associated with the historical development of the property between 1850 and 1953. It is a well-preserved example of stone industrial construction. It was added to the National Register in 2007. According to the National Register nomination, the buildings share a common vocabulary of building materials and architectural features associated with mid-nineteenth and early-twentieth-century New England textile mill construction including gabled and flat roofs, parged rubble stone and exposed brick walls, and

fire-resistive wood and/or steel frame interior construction with sawn and/or hewn timbers. The designer is thought to be noted Providence architect James C. Bucklin, who is best known for his 1828 design of the Providence Arcade.

The redevelopment will restore the exterior of the buildings which are listed on the National Historic Register, and both state and federal historic tax credits will be used for the redevelopment. The Development received an allocation of state historic credits in 2008 prior to the suspension of the program. This allocation is critical to the success of the redevelopment as it represents more than $4 Million of equity. While the property has changed hands several times in the past several years, and most recently was in receivership, the allocation of state historic credits was maintained. Under program regulations, the state historic credit allocation for Harris Mill was set to expire on May 15, 2013 if the owner had not expended at least 10% of the original estimated qualified historic expenditures. In order to retain the credits, the Developer quickly undertook some initial construction which has stabilized and weatherproofed the property. All of the windows have been replaced. Internal and external demolition was completed, the interior was sandblasted and the roof was replaced. The Developer worked with the State Historic Commission on these items to ensure compliance with the National Park Service requirements. These costs plus fees to architects and engineers totaled over $3 Million. The Developer received a letter from the State Division of Taxation certifying that they have met the requirements of the program thereby preserving the allocation of state historic credits. The Developer paid for this work through a combination of owner equity and a pre-development loan from Boston Community Capital, a Community Development Finance Institution ("CDFI") based in Massachusetts. The Developer will now cease most construction activity while it secures permanent financing.

The town has been supportive of the Development. On March 11, the Coventry Town Council approved an economic development incentive agreement with the Developer related to taxes and fees. The first component establishes a negotiated assessed tax value for the property that will increase annually through 2017 and has a coinciding payment schedule. The "tax stabilization" will help to provide predictability in the operating budget as the property leases up and stabilizes (Rhode Island Housing intends to underwrite today to what would be the full value of the assessment in 2017 to hedge against future increases). The second agreement will allow the Developer to pay a lump sum of $365,000 in lieu of the standard impact fee of $7,596 per unit which would have amounted to $957,000.

The Developer is currently completing a similar mill in Coventry called the Anthony Mill. The Anthony Mill contains 122 apartments all of which are market rate. It is 85% complete and leasing has begun. Anthony Mill has 32 one-bedroom and 90 two bedroom. Over the past several years the Developer has completed three other market rate mill redevelopments in Rhode Island. Slater Mill in Pawtucket and the Grants Mill in Providence were developed in 2009 and both are fully occupied and stabilized. They completed Pocasset Mill in Johnston in November 2012 and fully leased the property in seven months. The Developer recently purchased the old American Insulated Wire mill in Pawtucket which will be a mixed use redevelopment with both commercial and residential. The Developer also completed a mill redevelopment in Massachusetts in 2011 and has several others in their pipeline for 2013-14. All of these projects have been built using a design-build approach in which the

Owner/Developer acts as the Construction Manager. Such an approach allows the Developer to proceed quickly and reduces their overall architectural expenses. As part of its due diligence, Rhode Island Housing's Design and Construction staff will review the Developer's plans and specifications as well as their processes for selecting subcontractors and product selections to ensure compliance with our requirements.

The Developer submitted a self-commissioned market study for the Harris Mill. It suggests that there is an opportunity for a second mill redevelopment in the area. The appraiser determined that once complete, it will take approximately 13-14 months to reach stabilization. Rhode Island Housing will commission its own market study as part of its review in order to understand current market conditions and to ensure that the new units can be absorbed. As currently modeled, the proposed market rents at Harris Mill appear to be equal to or less than the current comparable rent seen at similar mill properties. According to a recent report, there has been increased commercial activity around the Anthony Mill as a result of the construction. This type of activity is in keeping with the KeepSpace notion of creating robust communities in which people can live, work and play. We would expect that the redevelopment of the Harris Mill will have a similar impact in both Coventry and the Arctic section of West Warwick.

The primary source of financing for the transaction will be a 30-year tax-exempt bond funded mortgage. The construction loan will also include bridge financing of the historic and housing tax credit equity. The permanent mortgage will be insured through the FHA Risk Share program. . Additional sources include equity from the sale of 4% tax credits, equity from the sale of state and federal historic tax credits, and a deferred developer fee.

This RFA requests preliminary Approval for a tax exempt permanent mortgage amount of $20 Million of which $12,500,000 will be permanent long term debt.

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

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

Whereas, Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of Rhode Island Housing have promise of supplying well-planned, well-designed apartment units which will provide housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

Whereas, Rhode Island Housing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, Said bonds shall have a term not to exceed thirty (30) years and shall be in the approximate amount sufficient to finance the mortgage, 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:

Development	Applicant	Tax Exempt Mortgage
Harris Mill	**Brady Sullivan Properties & Starr Development Partners**	**$20,000,000**

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 preliminary approval for tax exempt mortgage financing in an amount not to exceed $20,000,000 to Brady Sullivan Properties & Starr Development Properties or an affiliated partnership (the "Borrower") for rental housing known as Harris Mill located on Main Street in Coventry, Rhode Island.

Resolved, That Rhode Island Housing hereby declares that the preliminary 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 $20,000,000 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 commissioned by Rhode Island Housing by an independent appraiser demonstrating that the first mortgage does not exceed 85% of the as-stabilized value of the property.
- Acceptable market study commissioned by Rhode Island Housing demonstrating that sufficient demand exists for the proposed units including vacancy rates acceptable to Rhode Island Housing
- Syndication equity from the sale of housing and historic tax credits or a substitute source of equity in amounts sufficient to achieve project feasibility

- Completion of a Phase I environmental assessment and any such other environmental studies deemed necessary by Rhode Island Housing.
- Approval by Rhode Island Housing of Development Team members.
- Final approval of the operating budget and project proforma
- Execution and delivery by the Developer of a Construction Completion Guaranty in form and scope satisfactory to Rhode Island Housing.
- Approval by Rhode Island Housing of all management-related issues, including marketing and lease-up plans.
- Satisfactory review of financials of the principals of Brady Sullivan Properties and Starr Development Partners.
- 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, either Deputy Director, and the Director of Development, each acting singly, shall take any and all actions they deem necessary to carry out the foregoing Resolutions.

<u>Firm Commitment of Financing for Mt. Hope Apartments</u>

Mr. Godfrey gave this presentation.

This Request for Action ("RFA") is for firm approval of preservation financing for Mount Hope Court Apartments (the "Development"), an existing family housing development originally financed with housing tax credits and a HUD-insured mortgage. The principals of Cornell Management, Stephan and Kevin Baptista, will serve as developer (the "Developer").

The Development received Preliminary Approval for financing at the April 2013 Board meeting. Mount Hope Court is a project based Section 8 development with 36 townhouse-style apartments located on Pleasant Street in the Mount Hope section of Providence. Approximately 135 residents currently reside at the Development. The property was originally built in 1974 and was moderately rehabilitated with low income housing tax credits in 1995. Rhode Island Housing was not the lender on the 1995 transaction. The Development is now at the end of its initial compliance period and the current general partner has negotiated a purchase price with the limited partner equity investor (formerly First Partners, now Wentworth Capital).

Rents at the Development are subsidized through a Section 8 Housing Assistance Payment ("HAP") contract. The existing HAP contract for this site expires August 2013; however, as part of this transaction, the Developer has applied and been approved for a 20-year HAP renewal. The current rents will increase in accordance with HUD's Operating Cost Adjustment Factor ("OCAF") when the contract renews in August.

Mt. Hope Court Associates, LP, a newly formed Rhode Island limited partnership, will purchase the property from the existing owner, We the People Associates. The new managing general partner will be SHK Mt. Hope, LLC, a wholly owned affiliate of the Developer. Cornell Management Corp., also an affiliate of the Developer, has served as the property manager of the Development for many years and will continue in this role. The proposed transaction under Rhode Island Housing's Preservation Program, will enable Mt. Hope Court Associates, LP to acquire the property, extend the property's affordability restrictions, and complete approximately $1.2 million in improvements.

The Developer will undertake approximately $35,000 per unit of rehabilitation improvements. A Capital Needs Assessment ("CAN") has been commissioned to help define the scope of work. In order to reduce architectural costs the general contractor ("Parisault Builders") will work directly with the owner on product selection, field sketches and change orders. Rhode Island Housing's Design and Construction staff will approve these selections and changes. The architect has provided initial drawings. During construction the architect will review all proposed change orders and approve all requisitions. Parisault recently provided similar services on another project and the streamlined approach benefited the development. In addition, the owner is working with National Grid to ensure maximum energy efficiency from the proposed scope of work. Any potential rebates or incentives from National Grid will be used to reduce the developer's deferred fee.

These improvements will include new cementitious siding, windows, roofs and some façade improvements to break up the uniform entry ways. Interior work will include high-efficiency furnaces, new kitchen cabinets and countertops, bath upgrades, carpeting and painting. Interior courtyard fencing will be removed and perimeter fencing will be replaced. Several retaining walls will be repaired. Any cost savings will be applied to increase the landscaping budget, improve the site lighting and add several items that were removed from the project to reduce overall costs. The CNA will be analyzed to establish an adequate reserve to cover the costs of necessary upgrades and improvements forecasted in future years.

The primary source of permanent financing will be a 35-year mortgage supported by the lower of HAP or market rents to comply with HUD risk share requirements. Additional sources of funds include equity from the sale of 4% low income housing tax credits, a note for a portion of the acquisition price taken back by the former general partner (the "GP Note"), a deferred developer fee, and income from operations.

The Developer has received a Letter of Intent from a syndicator expressing its interest in purchasing the tax credits. The syndicator, Michel Associates, is requiring a $275,000 deficit reserve to hedge against the unlikely event that the Section 8 subsidies are reduced or eliminated prior to the end of the 15-year compliance period. Since the project as structured does not have sufficient excess capital to establish such a reserve, as part of its overall proposal for this transaction Rhode Island Housing has agreed to provide a guarantee for the reserve (the "Rhode Island Housing Guarantee"). The Rhode Island Housing Guarantee will be secured by a lien for the full amount of the reserve on the GP Note. The HAP Contract is annually funded. As the maximum possible obligation under the Rhode Island Housing Guarantee declines each year, Rhode Island Housing will simultaneously release equal portions of its GP Note collateral.

The financing plan in the preliminary approval assumed a tax-exempt loan during construction and a taxable permanent loan. However, since the tax-exempt bonds will not be issued until after the real estate closing, Rhode Island Housing would prefer to retain optimal lending options through this Board Action by seeking approval for a 35-year tax-exempt loan rather than just a two year construction loan. If market conditions indicate a two year tax-exempt loan is advantageous, Rhode Island Housing may finance the required tax-exempt bonds for the construction period only and use taxable funds for the permanent loan.

This RFA requests firm approval for tax-exempt mortgage of up to $3,500,000 and a permanent loan of up to $2,500,000. The permanent loan will be funded with either: 1) the proceeds of the multi-family bond offering; or 2) a participation certificate with another lender.

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

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

Whereas, Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") is authorized to make loans to mortgagors or sponsors for such developments as in the judgment of Rhode Island Housing have promise of supplying well-planned, well-designed apartment units which will provide housing for low- and moderate-income persons or families, or the elderly, or others in locations where there is a need for such housing;

Whereas, Rhode Island Housing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, Said bonds shall have a term not to 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 and 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:

Development	Applicant	Construction Loan	Permanent Loan
Mt. Hope Court	Cornell Management Corporation	$3,500,000	$2,500,000

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 Rhode Island Housing hereby declares firm approval for tax exempt mortgage financing in an amount of $3,500,000 to Cornell Management Corporation or an affiliated partnership (the "Borrower") for the construction of Mount Hope Court Apartments (hereinafter the "Development") to be located on Pleasant Street in Providence, Rhode Island.

Resolved, That Rhode Island Housing hereby declares that this firm approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing and evidences Rhode Island Housing's intention to issue tax-exempt bonds sufficient to provide $3,500,000 of mortgage funds for the Development, plus any required bond reserve funds and the related costs of issuing the bonds for the Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

Resolved, That Rhode Island Housing hereby declares firm approval for a permanent first mortgage loan of up to $2,500,000 for the Development.

Resolved, That the foregoing resolutions are subject to 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.
- Completion of a Phase I environmental assessment and any such other environmental studies deemed necessary by Rhode Island Housing.
- Approval by Rhode Island Housing of Development Team members.
- Final approval of the Capital Needs Assessment and reserve requirements
- Final approval of the new operating budget.
- Approval of a new 20 year HAP Contract
- 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, either Deputy Director, and the Director of Development, each acting singly, shall take any and all actions they deem necessary to carry out the foregoing Resolutions.

Approval to Accept a Deed in Lieu for Project Renew

Mr. Godfrey made this presentation.

This Request for Action is for designation of the Rhode Island Housing Development Corporation (the "Development Corporation"), or a wholly-owned subsidiary thereof, to accept a deed in lieu of foreclosure from Progress Residential, LP, the owner of Project Renew (the "Development"). The Development is located in Lincoln and provides housing to low income families and individuals.

Project Renew is a housing tax credit property located in Lincoln, Rhode Island and was originally financed by Rhode Island Housing in May 1995. The Development contains thirty-four apartments.

Blackstone Valley Community Action Program ("BVCAP"), a Rhode Island non-profit corporation, was the developer/sponsor of the Development. The Development is owned by a single-purpose limited partnership, Progress Residential, LP. The general partner, Progress Development Corp. is controlled by BVCAP. National Equity Fund ("NEF") is the limited partner.

Over the past several years there have been a number of physical and financial challenges at the Development. For a variety of reasons, income was insufficient to pay debt service and to effectively operate the development. As a result, the property has suffered from physical deterioration and has become increasingly financially unstable, prompting Rhode Island Housing to engage with BVCAP and NEF to address the ongoing operational problems.

Since 2009, Rhode Island Housing has assumed an increasingly active support role in the operation of the Development, has agreed to forbear the first mortgage and has attempted to assist BVCAP in selling the Development in the hope that operations of the Development would stabilize.

Despite these efforts, success has been elusive, and the various interested parties have reached consensus that significant changes need to be implemented at the Development. To protect its financial investment, Rhode Island Housing has negotiated a deed in lieu of foreclosure with the partnership. All of the affected parties have agreed in principle to this transfer.

Rhode Island Housing staff recommends that the Rhode Island Housing Development Corporation, or a wholly-owned subsidiary thereof, be designated to serve as the owner of the Development. The Development Corporation has undertaken this responsibility in the past in similar situations.

Given the physical condition of the property and numerous unsuccessful attempts to market the property as deed restricted, it is Rhode Island Housing's intention to cancel the existing deed restrictions and market the Development's six buildings as unrestricted properties. Current residents of the few occupied buildings will be protected through a three year restriction on rent increases.

Staff is recommending that the Board approve the attached resolution authorizing the Executive Director or any Deputy Director to negotiate and execute an agreement to accept a deed in lieu of foreclosure and designate Rhode Island Housing Development Corporation as owner.

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

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

Whereas, Progress Residential Limited Partnership, (the "Partnership") is the owner of the property located in Lincoln, Rhode Island known as Project Renew, (the "Development"); and

Whereas, Rhode Island Housing and Mortgage Finance Corporation, a corporation, instrumentality and agency of the State of Rhode Island ("Rhode Island Housing"), made certain loans to the Partnership, (the "Loans") which Loans were secured by mortgage and security interests in the Partnership's real and personal property for the Development; and

Whereas, Despite various attempts to achieve stability, the Development it continues to operate with operating deficits, is unable to address major and compelling capital needs and has been unable to make payments to Rhode Island Housing even after Rhode Island Housing offered forbearance options; and

Whereas, The Partnership wishes to assign its interest in the Development via a deed in lieu of foreclosure to Rhode Island Housing or its designee; and

Whereas, Both the general partner and limited partner of the Partnership have agreed to the deed in lieu of foreclosure in favor of Rhode Island Housing or its designee.

Now, therefore, be it:

Resolved, that the Development Corporation, or a wholly-owned subsidiary thereof, subject to the approval of its Board of Directors, be, and hereby is, designated to accept deed in lieu of foreclosure from the Partnership under such terms and conditions as the Executive Director or any Deputy Director, in his or her sole judgment and discretion, deems to be in the best interests of Rhode Island Housing and the Development Corporation and it is further

Resolved, That the Executive Director or any Deputy Director be authorized, empowered and directed to take any action to execute, file and deliver any contract, agreement or other instrument in his or her sole discretion shall deem necessary or advisable in connection with the acceptance of deed in lieu of foreclosure from the Partnership to the Development Corporation and it is further

Resolved, That the Executive Director or any Deputy Director, each acting singly, are hereby authorized, empowered and directed to take such actions as he or she deems necessary, in his or her sole judgment, to carry out the foregoing resolutions.

Final Approval of the 2014 Qualified Allocation Plan (QAP)

Mr. Godfrey presented this request.

At the April 18, 2013 meeting, the Rhode Island Housing Board of Commissioners preliminarily approved and authorized publication of Rhode Island Housing's intent to adopt the 2014 Qualified Allocation Plan (the "Plan") governing the allocation of Housing Tax Credits. Rhode Island Housing published notice of the public hearing and draft Plan on our website on April 19th. In addition, notice was posted in the Providence En Espanol and the Providence Journal on May 3rd and in the Providence American on May 16th.

The public hearing was held at the offices of Rhode Island Housing on Friday, June 7, 2013. Written comments were received from Alma Felix Green, President of Women's Development Corporation ("WDC"), Joseph Garlick, Executive Director of NeighborWorks Blackstone River Valley ("NBRV") and Jennifer Hawkins, Deputy Director for Olneyville Housing Corporation ("OHC"). No one from the public attended the public hearing.

The comments received from WDC highlighted the importance of preserving existing affordable homes and urged Rhode Island Housing to utilize 9% Housing Tax Credits for this purpose and to prioritize preservation in the ranking of applications.

NBRV suggested Rhode Island Housing should increase the allowable developer fee under the Program from 15% to 20% and to reduce the allocation fee for projects utilizing bonds and 4% credits. NBRV requests that Rhode Island Housing improve the Housing Tax Credit ranking process and to make results of the overall ranking available to all applicants. Other comments included prioritizing financing for models which involve partnerships with other critical subsidy sources; prioritizing funding for neighborhoods of opportunity and areas where ongoing neighborhood revitalization is being conducted and to improve communication with the general public on the posting and comment period for the draft Plan.

OHC has requested a minimum unit set-aside of up to 20% of any development be required for serving very low income homeless persons and families to further the goals of the Opening Doors Rhode Island plan. OHC requests priority be given to mixed income developments and those developments that leverage HUD's Choice Neighborhood funding.

Staff has reviewed the proposed Plan and believes that the Plan provides an adequate balance of emphasis on preservation while addressing the critical need to provide additional affordable homes in Rhode Island. Staff does not recommend a set-aside for preservation as Rhode Island Housing has successfully preserved approximately 10,000 units of existing affordable apartments over the past 10 years utilizing tax exempt financing and 4% housing tax credits.

Several of the comments from NBRV and OHC focus on priorities that currently are identified within the Plan including prioritizing developments that further the goals of Opening Doors Rhode Island and investment in areas of neighborhood revitalization or to further ongoing revitalization efforts. These priorities are particularly referenced within the priority for KeepSpace development which promotes holistic community development, including mixed-income and mixed-use housing, neighborhood revitalization and placing homes near schools, jobs and community resources.

Both NBRV and OHC are recipients of HUD Choice Neighborhood Program awards. NBRV and OHC are in the very early stages of planning and creating committees to study how to implement the Choice Neighborhood Program within their respective target areas. Rhode Island Housing staff will be involved in the planning and will serve on various committees established by the groups. Staff will carefully monitor the impact of the final plans on Rhode Island Housing resources and investment HUD may provide to implement the plans. At this time, staff does not recommend creating a priority specifically for Choice Neighborhood developments.

Other comments offered by NBRV and OHC including developer fee limits and allocation fees are addressed within Program Bulletins that are published annually by Rhode Island Housing and which accompanying the Developer's Handbook and application packet. The 15% cap for developer's fee is based on the National Council of State Housing Finance Agency ("NCSHA") Best Practices. Rhode Island Housing has adopted these Best Practices and incorporated them into its underwriting guidelines. These guidelines assist to contain overall development costs and limit credit allocations. Staff does not believe that increasing the developer fee above 15% is a prudent use of resources.

NBRV and OHC have requested more public engagement and transparency in Rhode Island Housing's release of the Plan and in review of applications. Each year staff meets to review its policies on ranking applications. This year, staff has revised its review forms and is currently working on revised ranking forms to assist in decision marking with respect to awards of 9% housing tax credits. Staff are actively engaged with all developers both prior to and following award decisions. Debrief meetings are scheduled with all applicants to discuss the merits of proposals in addition to areas where improvement is recommended. Staff believes Rhode Island Housing's application and decision making process is fair and transparent. Rhode Island Housing staff will make additional effort to notify and inform developers as to the publication of the draft QAP and comment period.

The Plan will become effective only after (1) the Rhode Island Housing Board of Commissioners has voted final approval of the Plan; and (2) the Governor has signed the Plan.

Staff recommends that the Board of Commissioners approve the attached Resolution adopting the Plan and recommending the Plan for approval and endorsement by the Governor.

Following the presentation Commissioner Cortés requested clarification of a few details. One of his concerns revolved around the scoring and transparency of the system that Rhode Island Housing practices in ranking applications. Commissioner Cortés believes that a quantitative system is a cleaner and more transparent method of ranking the applications. Mr. Cortés also expressed concern that the scoring is not shared with the applicants creating a perception of biased scoring. Commissioner Cortés suggested that Rhode Island Housing create a system that is transparent in incorporating measured criteria that visibly addresses an applicant's capability, capacity and experience.

Carol Ventura, Director of Development reassured Commissioner Cortés that moving forward, staff will address his concerns and invited Commissioner Cortés to participate in the next round of tax credit reviews.

Mr. Godfrey then proposed wording to amend the language on page 19 of the Qualified Allocation Plan to addresses Commissioner Cortés' concentration with transparency on notifying applicants of their categorical scoring.

At the end of the first paragraph of Section II. B. Mr. Godfrey suggested adding the words "Applicants will receive a report on their scoring under each Evaluation Criteria along with their total score."

Commissioner Cortés' other concern was whether Rhode Island Housing's QAP procedures are in accordance with the Rhode Island Administrative Procedures Act. Corporate Counsel Steve Richard responded that Rhode Island Housing's QAP process met all federal and state requirements. Commissioner Cortés appreciated Mr. Richard's confirmation and requested a written opinion from Corporate Counsel. Mr. Richard acknowledged the request and affirmed that a formal opinion would follow.

Upon a motion made by Commissioner DeQuattro and seconded by Commissioner Pratt the following resolution was adopted as amended; which amendment is added to page 19 of the Qualified Allocation Plan to state that "Applicants will receive a report on their scoring under each Evaluation Criteria along with their total score."

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") has been designated by the Governor as the Principal Housing Agency and Tax Credit Allocation Agency for the State of Rhode Island (the "State");

WHEREAS, The Revenue Reconciliation Act of 1989, as amended, requires tax credit allocating agencies to allocate low-income housing tax credits according to a Qualified Allocation Plan (the "Plan");

WHEREAS, The Plan must establish priorities and criteria for allocating the tax credits that best meet the housing needs and must be adopted pursuant to a public hearing and comment period; and

WHEREAS, Housing needs for the State of Rhode Island have been established pursuant to the Rhode Island Consolidated Plan: 2010 - 2015.

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing adopt the attached 2014 Qualified Allocation Plan for the State of Rhode Island, and hereby recommends the Plan be approved and endorsed by the Governor of the State of Rhode Island and Providence Plantations.

RESOLVED: That Rhode Island Housing develop and distribute a Request for Proposals (RFP) soliciting applications for 2014 Housing Tax Credits pursuant to the Plan.

Approval to of Executive Director's Evaluation Form and Process

Chairman DeRentis gave this presentation.

Last fall, Rhode Island Housing engaged the Singer Group, Inc. to prepare an evaluation methodology for the Executive Director and undertake a comparative analysis of the Executive Director's salary and benefits. The overall recommendations from the report were:

1. Establish a salary range of $169,854 – 227,073 (The Executive Director is currently in the lower quartile of this range.)
2. Set specific goals annually
3. Conduct an annual review to coincide with contract renewal.
4. Salary increases should be based on performance and achievement of goals following the same budget guidelines as for all Rhode Island Housing employees taking market competitiveness into consideration.
5. Continue existing benefits allocation which are consistent with industry
6. Do not offer an incentive bonus.

The consultant also suggested an evaluation format and timetable. (The complete Final Project Report has been provided to the Board Members.) Following the submission of the report, the Chair DeRentis and Paul Dimeo met with the Executive Director to discuss its recommendations. Agreement was reached on the recommendations and on the attached evaluation form.

If the Board approves the evaluation form, the Chair will assemble comments from other Board members, feed-back from those reporting directly to the Executive Director and the Executive Director's assessment of the agency's performance in achieving its mission and 2013 goals. These will be combined into a final evaluation that will be approved by the Management

Committee. The Management Committee will then meet with the Executive Director to discuss the evaluation and establish goals for 2014. The Management Committee will also meet with the Executive Director on a quarterly basis. The next full review should be completed prior to April 17, 2014 which is in advance of the next scheduled employment contract renewal date of May 1, 2014.

In accordance with recommendation 4 above and because the FY 2013 budget guidelines included no agency-wide salary increases, no increase in the Executive Director salary will be considered in 2013. However, depending on the FY 2014 budget and future performance, an increase may be considered at the time of the contract review in 2014, but only with the full approval of the full Board of Commissioners.

Chairman DeRentis recommended that the Board approve the Executive Director Evaluation Form attached hereto and that the process described herein be adopted by the Board.

It is hereby resolved by the Board of Commissioners that the Executive Director Evaluation Form attached hereto and the process described herein be adopted by the Board and that the Management Committee is authorized to carry out the evaluation process described herein.

Upon a motion made by Commissioner Dimeo and seconded by Commissioner Pratt the resolution attached as Exhibit A to these minutes was unanimously approved.

There being no further business to discuss, a motion was duly made by Commissioner DeQuattro and seconded by Commissioner Pratt adjourn the open meeting at approximately at 10:16 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director

Exhibit A

RhodeIslandHousing
working together to bring you home

EXECUTIVE DIRECTOR PERFORMANCE EVALUATION

Name	Title	Evaluation Period	Person Completing Evaluation
Richard Godfrey	Executive Director		

Instructions:

For all categories – indicate overall performance on a scale of 1 – 5 with 1 being unacceptable" and 5 being "outstanding".

A. Mission Achievement

Rating

1. Loans to build and buy homes
2. Housing help for owners and renters
3. Working to end homelessness
4. Building strong communities

B. Achievement of Specific Goals for 2013*** **Rating**

1. Strategic Plan development – Complete the 15-18-20 Strategic Planning Process as approved by the Strategic Planning Steering Committee which will establish goal specific targets and current and/or baseline measurements. Plan is reviewed and approved by the Board.

2. Building an effective Rhode Island Housing Leadership Team – Hiring and retaining the right leaders in the right positions that successfully contribute to the Agency goals and objectives, and promotes continuous individual and team performance improvement.

3. Public Relations, Outreach, and Partnerships - Developing ongoing and effective coalitions including federal, state and local leaders and legislative officials that create continued advocacy for the Agency.

4. Dashboard and Metrics Reporting – Develop a set of qualitative and quantitative metrics that meet the reporting and informational needs of various constituencies and promotes Agency performance transparency. In addition to reporting on current housing conditions, loans and housing metrics include

more information and measurement around strategic goal monitoring, leadership and employee performance management, outreach and relationship building.

5. Budget Management and Reporting – Define and provide more information and insight to the Board of Directors on operating expenses and a review of targeted line item expenses, variances and specific budget management plans. Develop a section on the Dashboard for budget reporting.

6. Establish and hold regular meetings of a "Management Committee" – Plan and facilitate targeted quarterly discussions to deepen understanding and collaboration with Board members around additional information (metrics, budget, etc.) that should be explored and vetted.

*Goals are reviewed annually and adjusted to meet the changes of the organization and strategic plan.

C. Core Competency Assessment **Rating**

1. Carrying out agency vision, mission and strategies
2. Management Objectives
3. Effective program management
4. Sound fiscal management
5. Effective partnership with Board and community

D. Executive team feed-back **Rating**

1. Communicates a clear vision
2. Shares the right level of information
3. Seeks input and engages views of others in making decisions
4. Encourages others to learn and develop skills
5. Make challenging decisions on a timely basis

E. Overall Assessment

F. Collective thoughts on achievements and challenges

G. Specific Goals for Next Year

Recommendation for salary increase:
New pay: $ /year *FOR AUDIT AND BUDGET COMMITTEE USE ONLY*

Board Chair signature Date

Executive Employee signature Date

Executive Employee signature denotes only that I have reviewed this form and does not imply agreement with or approval of the contents.