

**MINUTES OF MEETING
OF THE
BOARD OF COMMISSIONERS**

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, September 19, 2013 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Jim DeRentis; Vice Chair Paul Dimeo; Lou 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 Jose Monteiro. Andrew L. Cortés was absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Gayle Corrigan, Deputy Director; Kara Lachapelle, Director of Finance and Technology; Carol Ventura, Director of Development; Leslie McKnight, Director of Servicing; Carlos Hernandez, Director of Resident Services, Peter Walsh, Director of Homeownership and Customer Service and Michael Milito, Deputy Assistant Director.

Steve 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 8:33 a.m.

Approval of Minutes of Board Meeting Held on August 15, 2013

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

VOTED: That the Minutes of the Board Meeting held on August 15, 2013 be and hereby are approved.

Chairman's Report

Chairman DeRentis greeted everyone and officially welcomed Gayle Corrigan, Deputy Director of Rhode Island Housing. The Chairman also extended a heartfelt welcome to Michael Milito upon his return from a medical leave.

Committee Reports

Chairman DeRentis noted that a meeting of the Management and Budget Committee was held on September 11, 2013. Copies of the minutes of the Management and Budget Committee were previously distributed to the Commissioners.

Chairman DeRentis gave a brief overview of the deliberations of the Management and Budget Committee and noted that the recommendations of the Committee have been incorporated into the proposed fiscal year 2014 budget. Mr. DeRentis then stated that the recommendations of the Management and Budget Committee meeting would be considered as part of item 7 of the agenda, Approval of the Fiscal Year 2014 Budget.

Executive Director's Review of Recent Activities and Trends

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

Mr. Godfrey noted that the joint meeting of the Senate Committee on Oversight and the House Committee on Housing and Government hearing is scheduled for Monday, September 23 at 4:00 PM. These legislative committees have requested presentations on the history, current status and outlook for Rhode Island Housing along with a report on its programs for low and moderate income Rhode Islanders and with regard to preventing homelessness. The hearing is expected to be shown on Capitol TV.

On August 28, 2013, Rhode Island Housing hosted a hearing by Senators Reed and Whitehouse on the impact of sequestration. Presentations were made on the impact on Rhode Island's economy, emergency services, education and housing. Although the 2013 impact of sequestration on housing alone is expected to be about \$15 million, since 2011 Rhode Island has lost nearly \$100 million in federal housing assistance.

Mr. Godfrey explained that there are two potential deadlines looming with regard to federal funding that could disrupt funding flows to Rhode Island Housing. The first is the end of the federal fiscal year on September 30, 2013 and the second is the debt ceiling limit which may need to be raised in mid-October. HUD has not yet provided answers with regard to the sequestration impact on Section 8 subsidies, which could be exhausted in December or January.

Commissioner Costantino arrived at this point of the meeting at approximately 8:44 a.m.

Mr. Godfrey informed the Board that on September 5, the US Department of Housing and Urban Development Office of Inspector General (OIG) commenced an audit of the State of Rhode Island's HOME Program. The objective of the review will be to determine whether Rhode Island Housing is awarding HOME funds to grantees in a justifiable and supported manner and is adequately monitoring grantees to ensure compliance with HOME Program regulations. OIG audit staff is scheduled to be at Rhode Island Housing through mid-November to review processes, procedures and files.

Mr. Godfrey provided an update on the PBCA litigation. HUD had previously awarded the new contract to Rhode Island Housing; however, on August 27, the appellate court granted a stay of further proceedings to implement the contract award pending appeal. Mr. Godfrey told the Commissioners that HUD may not execute the new ACCs until the case is resolved. Until the case is finally resolved, Rhode Island Housing will continue to administer the contract.

Firm Approval of Financing for Blackstone Valley Gateways II

Mr. Godfrey presented this request with additional comments provided by Ms. Ventura.

This Request for Action is for the reservation of up to \$739,608 in 2013 and/or 2014 9% Housing Tax Credits (“HTC”), and firm approval of a construction loan, Deferred Payment Loan and permanent first mortgage for Blackstone Valley Gateway II (the “Development or BVGII”) in Pawtucket and Central Falls. BVGII received a reservation of 2012 and 2013 9% HTCs and preliminary approval of financing at the December 2012 Board meeting. The sponsor is Pawtucket Citizens Development Corporation (“PCDC”).

The Development is a scattered site project consisting of 35 apartments in nine buildings in Pawtucket and six apartments in one building 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 is located just a few blocks away at the former Old Colony Bank building in downtown Pawtucket. The Central Falls property is on Earle Street. An existing commercial property will be demolished and six townhouses will be constructed. In addition, the Development will include commercial space, a portion of which will be rented to the non-profit New Urban Farmers, and the balance will be available as community service space for residents of the Development as well as the extended community.

Three buildings with 13 apartments will be newly constructed and seven buildings with 28 apartments will undergo moderate to substantial rehabilitation. In total there will be 15 one-bedroom, 13 two-bedroom, 10 three-bedroom and 4 four-bedroom units.

Since preliminary board approval, the total development costs have risen by approximately \$1.8 million. This increase is due primarily to an increase in construction costs. The estimate submitted at preliminary approval was provided by a general contractor that PCDC intended to engage on a negotiated bid basis. This pricing was based on preliminary construction drawings. However, as plans and specifications were completed and some unforeseen conditions were discovered, the construction price rose. In order to ensure the most competitive pricing, PCDC chose to put the entire project out to bid to four qualified contractors. The initial general contractor elected not to submit a bid. The current construction budget reflects the competitive pricing and additional value engineering. Overall, the construction price is \$1.4 million higher than the initial budget estimates, primarily driven by several issues: (i) a retaining wall at the Central Falls property; (ii) syndicator requirement to increase the construction scope of the moderate rehabilitation properties; (iii) syndicator requirement to increase the contingency from 4.8% to 8.5%; and (iv) general cost increases across all of the sites.

Non-construction related costs have increased as well including; increased financing fees due to the higher construction loan; additional historic tax credit fees; relocation expenses; syndicator required increases in the reserves; and the inclusion of a Clerk of the Works.

Additional funding sources have been obtained to fully cover the cost differential since preliminary approval. As a result of the recent expansion of the State Historic Tax Credit program, the Development was awarded \$624,000 in State Historic Credits. The City of Pawtucket awarded the Development an additional \$274,500 in HOME funds to compensate for the loss of the financing originally anticipated from the sale of the ground floor of the Gately Building for a commercial business expansion. Finally, the developer has applied for approximately \$1,293,465 from Building Homes Rhode Island (“BHRI”) under the current funding round. BHRI awards are expected to be announced in October. Despite the cost increases, PCDC has done a significant amount of due diligence in order to move the project to closing once all of the financing is approved.

In conjunction with Pawtucket Credit Union (“PCU”), PCDC received a subsidy and grant award (the “Subsidized Advance”) from the Federal Home Loan Bank of Boston (“FHLBB”). The Subsidized Advance allows PCU to lower the rate and maximize the size of the first mortgage. Because of the HTCs and public subsidy dollars invested in the Development, Rhode Island Housing prefers to be in the Senior Loan position in order to ensure compliance with the various program requirements. As we have done with other lenders, the Subsidized Advance will pass through PCU, which is a FHLBB member bank, as a loan to Rhode Island Housing. We will use this advance to 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 PCU to Rhode Island Housing will be non-recourse, and will be secured by a pledge of the mortgage and other loan documents from the new Limited Partnership to Rhode Island Housing.

The total development cost for this project is \$11,625,306. Proposed sources of funding include: (i) a Rhode Island Housing first mortgage, (ii) a Rhode Island Housing Deferred Payment Loan, (iii) HOME funds from both the City of Pawtucket and Rhode Island Housing (iv) the sale of Housing Tax Credits (v) the sale of both Federal and State Historic Tax Credits, (vi) Rhode Island Housing Lead funds, (vii) Building Homes Rhode Island Funds, and (viii) Affordable Housing Program (AHP) funds from the Federal Home Loan Bank of Boston.

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 2013 and/or 2014 9% Housing Tax Credits and firm commitment of a \$175,000 First Mortgage, \$693,690 Deferred Payment Loan and \$7,000,000 Construction Loan.

Ms. Ventura introduced Nancy Whit, Executive Director of PCDC and her associates who thanked the Commissioners and Rhode Island Housing staff for their continued assistance and support.

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, 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 2013 or 2014 ("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	\$7,000,000

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 2013 and/or 2014 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 gives firm approval of 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 gives firm approval of financing up to \$693,690 for a Deferred Payment Loan for the Borrower.

Resolved: That Rhode Island Housing hereby gives firm approval of financing up to \$7,000,000 for a Construction Loan for the Borrower.

Resolved, That, in order to fund Rhode Island Housing’s loan to BVGII, Rhode Island Housing may enter into a \$175,000 loan arrangement (the “Loan”) with Pawtucket Credit Union substantially in accordance with the terms outlined in this Board Action.

Resolved, That Rhode Island Housing may secure the Loan by granting to Pawtucket Credit Union 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 BVGII.

Resolved, That the Executive Director, Deputy Director or the Director of Development (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with Pawtucket Credit Union as Pawtucket Credit Union 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.

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

- Evidence of BHRI, Lead, City of Pawtucket HOME funds financing in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to the Rhode Island Housing.
- Syndication equity from the sale of Housing Tax Credits, federal and state historic tax credits in amounts sufficient to achieve project feasibility.
- Final approval of plans, specifications and construction documentation by Rhode Island Housing.
- Approval by Rhode Island Housing of all management related issues including the Marketing and Tenant Selection Plans
- Agreement between PCU, PCDC and Rhode Island Housing as to a mortgage pass-thru structure within 45 days of this board action that will allow Rhode Island Housing to be the first mortgage lender of record.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

Resolved: That the Executive Director, 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.

Authority to Issue General Obligation Bonds Series 2013

Mr. Godfrey presented this request.

In December of 1997 Rhode Island Housing issued unsecured General Obligation Bonds in the amount of \$5,000,000 for the purpose of financing the acquisition and renovation of its Slade Garr office building. These bonds were remarketed the following year for a ten year term at a rate of 4.375%. The Bonds were refunded in 2008 for a five year term at the rate of 4.625%. The Bonds now face a maturity date of November 1, 2013 and must be paid off or refunded.

Given the overall tight liquidity conditions existing in the global marketplace, our preference is to keep these bonds outstanding as a general source of funding for our capital assets. The refunded bonds may be offered in the public market or privately placed in a variable or fixed rate mode. Because of the current steep yield curve and relatively small bond size, staff believes the most efficient and cost effective refunding would be a private placement with a five year fixed rate to be set one week before maturity of the existing bonds. Bank of America has agreed to purchase the bonds on this basis.

Upon a motion made by Commissioner Monteiro 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 September 19, 2013 board package.

Approval of FY 2014 Budget

Chairman DeRentis presented the recommendations of the Management and Budget Committee meeting held on September 11, 2013. As those recommendations are incorporated in FY 2014 budget, Chairman DeRentis called for a motion to approve the minutes of the September 11, 2013 Management and Budget committee as presented in the Board package.

Upon a motion made by Commissioner Dimeo and seconded by Commissioner Monteiro the Minutes of the Management and Budget Committee Meeting held on September 11, 2013, hereby are approved.

Chairman DeRentis then invited Mr. Godfrey to provide the budget presentation.

Mr. Godfrey noted that staff has prepared a budget for fiscal year 2014 that will preserve and improve key mission areas including affordable homeownership lending, creation of new affordable homes, working to prevent homelessness and sound administration of federal housing programs. However it also reflects the following major forces:

- Continuing federal pressure to keep interest rates low
- Continuing sluggishness in the economic recovery
- Continuing high unemployment and mortgage delinquencies in Rhode Island
- Continuing evolution of the housing finance sector
- Substantial reductions in federal housing funds

Staff delivered the draft budget to the Board at its August 15, 2013 meeting and has provided additional supporting documentation over the past month. The Management and Budget Committee reviewed the budget with staff at a meeting on September 11, 2013 and recommend its approval by the full Board.

The proposed FY 2014 Budget reflects a downsizing agency in the face of shrinking programs and major increases in losses related to defaulted single family loans. The budget is balanced with the smallest projected net operating income in 20 years – just \$156,000 against total revenues of \$33,100,000. Salaries reflect a reduction in force of 15% on top of a prior 10% in FY 2013.

Major Items

- Loan loss related expenses increased \$5.6 million
- Income increase projected at \$2.7 million
- Personnel related expenses are cut \$1.8 million (12%)
- Costs associated with staff reduction are \$363,000

- Other administrative expenses are increased \$171,000 (3.6%)
 - Increased costs related to sale of loans equal \$265,000
 - IT expenses up \$84,000
 - Consulting services related to strategic planning and customer service training are \$33,500
 - Overall marketing, communications and advertising increase 1.7% related to new single family lending programs
- Total program funding reduced by \$3.4 million
 - Level funding of NOP and RoadHome rental assistance programs related to preventing homelessness
 - Remaining Rental Assistance Payments to be absorbed by Affordable Housing Trust

A brief discussion followed the presentation. Commissioner Costantino thanked Mr. Godfrey and staff for providing a budget programmatic narrative that provided the requested context about what is included in the various line items of the budget.

Commissioner Costantino asked how the issuance of general obligation bonds secured by the Slade Garr Building fit into the overall budget approach. Mr. Godfrey explained that issuing bonds secured by the Slade Building allows Rhode Island Housing the ability to increase liquidity that can be used to support lending at a favorable cost of capital.

Upon a motion made by Commissioner Monteiro and seconded by Commissioner Costantino the following resolution was unanimously adopted along with the FY 2014 Budget which is attached as part of the September 19, 2013 board package.

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

Resolved: That the proposed fiscal year 2014 Budget of Rhode Island Housing as set forth in Attachment B is hereby approved.

Approval of Delegation of Corporate Authority for Federal Home Loan Bank of Boston (FHLBB)

Mr. Godfrey gave this presentation.

This Request for Action (RFA) is for authorization of certain designated officers and employees to execute and deliver to the Federal Home Loan Bank of Boston (FHLBB) on behalf of Rhode Island Housing any instruments as may be necessary for Rhode Island Housing to initiate or partake in any of the programs available to correspondent members of the FHLBB.

Rhode Island Housing is a long time correspondent member of the FHLBB, and as such is permitted to participate in various Correspondent Services programs, such as advances or documents or agreements contracts, mortgages, deeds or instruments which may be entered into by Rhode Island Housing.

Periodically, the FHLBB requests that Rhode Island Housing to reauthorize use of the various correspondent services offered by the FHLB and to update its designation of employees or officers authorized to execute and deliver to the FHLBB instruments necessary to participate in the FHLBB programs and services. One of the attached resolutions authorize continued utilization of the correspondent services and authorizes the Chair, Executive Director, Deputy Director, and Director of Finance and Technology to execute and deliver such instruments, and the second resolution authorizes the Executive Director to designate other staff with authority to carry out actions incidental to such programs and services in which Rhode Island Housing participates.

Staff recommends that the Board approve the attached resolutions reaffirming authority to participate in FHLBB programs as a correspondent member and designating officers and employees authorized to execute and deliver instruments necessary for Rhode Island Housing to participate in FHLBB programs and services.

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 wishes to utilize one or more of the correspondent services (“Correspondent Services”) of the Federal Home Loan Bank of Boston (FHLBB) described in its current standard Correspondent Services Agreement (the “Correspondent Services Agreement”);
- RESOLVED,** That Rhode Island Housing reauthorizes utilization of FHLBB correspondent services as set forth in the Correspondent Services Agreement,
- RESOLVED,** That the Resolution Regarding Correspondent Services Agreement and the Blanket Resolution Regarding Advances, Letters of Credit and Swaps presented at this meeting and attached hereto are hereby adopted.
- RESOLVED,** That the Executive Director, of Rhode Island Housing be and is hereby authorized and directed

- (i) to execute and deliver to the Federal Home Loan Bank of Boston, on behalf of Rhode Island Housing, such agreements, documents, or instruments as may be necessary for Rhode Island Housing to initiate or partake in any of the Correspondent Services and
- (ii) designate in writing the officers or employees of Rhode Island Housing authorized on its behalf to execute documents, take actions, and give oral and written instructions (including by electronic or facsimile means) pertaining to the programs set forth in the Correspondent Services Agreement in which Rhode Island Housing participates.

There being no further business to discuss, a motion was duly made by Commissioner Monteiro and seconded by Commissioner DeQuattro to adjourn the open meeting at approximately at 9:04 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director