

**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, April 17, 2014 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were: Chairman Andrew L. Cortés; James V. DeRentis; Paul McGreevy, Director of Department of Business Regulation; Chris Feisthamel designee for General Treasurer Gina Raimondo (arrived at 8:40); Steven Costantino, designee for Richard Licht, Director of Administration (arrived at 8:33); Jose Monteiro and Stephen P. McAllister.

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

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 Cortés called the meeting to order at approximately 8:30 a.m.

**Approval of Minutes of Board Meeting Held on March 20, 2014**

Upon unanimous consent by the Board, the following was approved:

VOTED: That the Minutes of the Board Meeting held on March 20, 2014 be and hereby are approved.

**Chairman's Report**

Chairman Cortés greeted everyone and expressed his appreciation to Governor Chafee for appointing him as Chair of Rhode Island Housing. Chairman Cortés stated that he is enthused about the opportunity to chair the board and expressed his optimism that his diverse experience would be useful to Rhode Island Housing.

Chairman Cortés introduced and welcomed Stephen P. McAllister to the Rhode Island Board of Commissioners.

Mr. Cortés thanked and conveyed his gratitude to Commissioner DeRentis for his past leadership of Rhode Island Housing and his unqualified support and assistance during this transition period.

Chairman Cortés also acknowledged Paul Dimeo’s contributions during his tenure as Vice Chair and to voice his appreciation for his service on Rhode Island Housing’s Board of Commissioners.

Commissioner Costantino arrived at this point of the meeting at approximately 8:34 a.m.

Chairman Cortés next commended Mr. Godfrey for his 20 years of service and he commented on the depth of knowledge of the staff and their dedication to the mission of affordable housing for all Rhode Islanders. Mr. Cortés stated that Rhode Island Housing is an exceptional organization that accomplishes outstanding results even in a challenging economic climate. He noted that the organization plays so many varied roles that it can be difficult to step back and see Rhode Island Housing as a whole. He stated that the challenge is to create transparent systems and procedures that allow outsiders to understand the organization as a whole.

### **Committee Reports**

Chairman Cortés noted that the Management and Budget Committee met on March 20, 2014 and stated that the recommendations from the meeting would be considered as part of item 10 of the agenda, Approval of Executive Director’s Contract.

### **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 expressed his appreciation to Mr. DeRentis and Mr. Dimeo for their guidance and support and welcomed Chairman Cortés to the position. Mr. Godfrey said he is looking forward to with Chairman Cortés. On behalf of Rhode Island Housing Mr. Godfrey also welcomed Commissioner McAllister to the Board.

Mr. Godfrey thanked the audience present for their support of Rhode Island Housing’s mission. Mr. Godfrey stated that without the partnerships of numerous non-profits, developers, and associates, the mission of affordable housing could not be achieved.

Commissioner Feisthamel arrived at this point of the meeting at approximately 8:40 a.m.

Mr. Godfrey announced that for the period ending March 31, 2014, Rhode Island Housing experienced a significant improvement in delinquencies, which are down about 25% year over year. The number and dollar amount of delinquent loans was at its lowest level since July 2009; the percentage of delinquent loans was at its lowest level since April 2010. The primary causes of delinquencies for borrowers are long-term unemployment and underemployment. This

significant drop in delinquencies in Rhode Island Housing's portfolio is positive news for its borrowers and the financial performance of the Agency.

Mr. Godfrey had more good news to report in the Homeownership area. Lending activity is up, with registrations at its highest level since 2009, which represents a 23% increase from 2013. Loan closings are 31% higher than in 2013. New contracts are in place with 11 Lenders/Brokers, and the Agency expects up to seven new lenders to be signed up by the end of the second quarter. Through the efforts of Lender Services Manager Citizens Bank has expressed an interest in rekindling a relationship with Rhode Island Housing. This is great news as Citizens was Rhode Island Housing's number one lender for many years.

### **Convening of the Section 8 Committee**

Upon a unanimous consent of the Commissioners, the Board adopted a motion to convene a meeting of the Section 8 Committee of the Board of Commissioners to consider approval of the Annual PHA Plan. The Section 8 Committee Meeting was convened at 8:45 am.

Chairman Cortés announced that he was informed that Sonia M. Rua, the Resident Board Member of the Section 8 Committee, was facing a family emergency and was not able to attend the meeting.

### **Approval of Annual PHA Plan**

Mr. Godfrey made this presentation.

Rhode Island Housing acts as a Public Housing Authority (PHA) with respect to its administration of the Section 8 tenant-based subsidy program. In accordance with section 5121 of the Quality Housing and Work Responsibility Act of 1998, Rhode Island Housing must adopt an annual PHA Plan for the Section 8 tenant-based program which establishes goals and objectives to meet the jurisdiction's housing needs. The Annual Plan includes Rhode Island Housing's strategies to achieve objectives in the areas of expanding the supply of assisted housing, promoting family self-sufficiency and ensuring equal opportunity in housing.

In order to comply with the requirements for the Quality Housing and Work Responsibility Act, program participants were randomly selected to review the Annual Plan, a public hearing was held and a forty-five day public comment period was scheduled. A review was done by our development staff to ensure consistency with the State's comprehensive plan. The Annual Plan must be approved by the Board of Commissioners, and be forwarded to the Department of Housing and Urban Development.

Attachment B sets forth the components of the Streamlined Annual Plan for Fiscal Year 2013. A copy of the entire Annual Plan is available for review at this meeting.

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

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

**WHEREAS,** Rhode Island Housing, in its capacity as a Public Housing Authority is required to adopt the PHA Annual Plan for the Section 8 Tenant-Based program to comply with section 511 of the Quality Housing and Work Responsibility Act of 1998.

**RESOLVED,** Rhode Island Housing, in its capacity as a Public Housing Authority, be and hereby is authorized to adopt the PHA Annual Plan for the Section 8 Tenant-Based Program substantially in the form as presented at this meeting to comply with the requirements of the Quality Housing and Work Responsibility Act of 1998.

Upon a motion by Commissioner McAllister and seconded by Commissioner Costantino, the Section 8 Committee adjourned at 8:47 a.m. and Chairman Cortés reconvened the full Board in open session.

**Approval of Master Construction Loan for Community Works RI (CWRI)**

Mr. Godfrey made this presentation.

This Request for Action is for approval of a \$500,000 revolving construction loan for Community Works Rhode Island (“CWRI”) for a three-year term to support the development of new homes and the rehabilitation of existing structures in the Elmwood and surrounding neighborhoods of South Providence.

In October, 2001 the Board of Commissioners authorized the creation of the Home Development and Homeownership Loan Program (the “Program”). Over the past eleven years, this Program has provided financing to several non-profit organization for the construction of over 100 homes in Providence that have been sold to homebuyers.

CWRI is a community development corporation formed in 2008 when the Elmwood Foundation (“TEF”) and Greater Elmwood Neighborhood Services (“GENS”) merged. Each of these organizations had a 30 year history of revitalizing Elmwood and the South Side of Providence., but their focus areas overlapped resulting in a competitive rather than collaborative relationship. The merger has helped to focus the organization’s presence in the Elmwood neighborhood.

CWRI designs and builds high quality affordable housing and commercial developments. The organization has developed 212 affordable rental apartments and approximately 12,000 square feet of commercial space. CWRI and its predecessor organizations have developed and sold more than 50 homes to moderate-income homebuyers since 1998. Since the formation of CWRI, the organization has produced 92 apartments and 8 home ownership opportunities.

In 2012, CWRI hired a new Executive Director and Director of Real Estate Development. The Board of Directors has made the reestablishment of CWRI's development pipeline a priority goal for the organization.

The demand for affordable homeownership continues to rise in the city and around the state. The cost of owning is often equal to or less expensive than the cost of renting for some low to moderate income households. CWRI offers a popular homebuyer education training class for both existing and prospective owners. Over the past year, 56 community members have completed their homeownership classes and are actively seeking opportunities to purchase new homes.

CWRI is actively seeking to build its homebuyer pipeline and has initial plans to develop two properties at 98 Atlantic Avenue and 44 Burnside Street. Over the next three years they plan to undertake five homeownership projects targeting abandoned, foreclosed and vacant properties. A majority of the projects consist of two family homes with a homeowner unit and a rental unit. We expect that several buyers will obtain permanent financing through Rhode Island Housing's FirstHomes Programs. CWRI may seek funding from the Rhode Island Housing Land Bank to purchase properties for future redevelopment under this initiative.

This revolving loan will be used for construction costs only. CWRI intends to use either the City of Providence or Rhode Island Housing HOME funds, Neighborhood Stabilization Program ("NSP") funds and Lead Funds to make up the balance of the financing needed for each of the individual projects. The construction loan will be repaid from the proceeds realized from the sale of each property.

As with the previous loan programs, the Homeownership Division will pre-qualify applicants with purchase and sales commitments to purchase homes. The homes will be sold to low and moderate-income homebuyers at or below 80% of 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 state or federal funds restricting income are used and an appraisal supports the higher loan and sales price.

The rate for each individual construction loan will be set at the time of loan closing. For loans in which interest is paid monthly, the interest rate for each mortgage under the Revolving Construction Loan will be set at the one-month LIBOR plus 3%, with an initial rate floor of 4.00% and cap of 7.00%. For loans where interest will accrue, the Rhode Island Housing spread will increase to one-month LIBOR plus 3.5%, with an initial rate floor of 4.50% and cap of 7.50%. New floors and caps for both types of loans will be established on January 1<sup>st</sup> annually hereafter.

Given CWRI's past success and plans for future revitalization efforts, the Development Division is recommending approval of a \$500,000 revolving loan. Under the agreement, CWRI will be able to develop up to three homes at any time, but no more than two rehabilitations at one time. At least two of the three homes must be pre-sold to qualified buyers prior to Rhode Island Housing making a construction loan, minimizing the risk of increased carrying costs due to the inability to sell the homes. Upon application, Rhode Island Housing will commission an

appraisal of the property. If approved, the loan amount will be the lower of the appraised value (based on a Rhode Island Housing commissioned appraisal) or the sales price of the home. CWRI's authority to borrow under this agreement will expire in 36 months.

CWRI is currently engaged in merger discussions with Olneyville Housing Corporation (OHC). OHC also participates under the Revolving Construction Loan Program with a similar facility to develop homeownership opportunities. In the event a merger occurs between the organizations, both facilities will be reviewed and modified. The loan documents for this type of facility have language regarding dissolution, merger, and transfer of control being subject to our approval.

Upon a motion made by Commissioner Costantino and seconded by Commissioner McAllister 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 sponsors for such developments which in the judgment of Rhode Island Housing have promise of supplying well planned, well designed single family and two family homes and condominiums which will provide housing for low and moderate income persons or families or others in locations where there is a need for such housing;

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

**Whereas,** Community Works Rhode Island ("CWRI") has presented an application to Rhode Island Housing requesting a revolving line of credit to construct residential housing as set forth in this Request for Action; and

**Whereas,** Rhode Island Housing staff has reviewed the submission, will inspect the sites and will determine that these developments may qualify for financing under Rhode Island Housing's enabling legislation, regulations, guidelines and policies.

**Whereas,** Rhode Island Housing finds that:

(1) That there exists a shortage of decent, safe, and sanitary housing at rentals or prices which persons and families of low or moderate income can afford within the general housing market area to be served by the proposed housing development;

(2) That private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe, and sanitary housing in the general housing market area at prices which persons or families of low and moderate income can afford or to provide sufficient mortgage financing for residential housing for occupancy by those persons or families;

(3) That the housing sponsor or sponsors undertaking the proposed housing development in this state will supply well-planned, well designed housing for persons or families of low and moderate income and that those sponsors are financially responsible;

(4) That the proposed housing development to be assisted pursuant to the provisions of this chapter will be of public use and will provide a public benefit;

(5) That the proposed housing development will be undertaken and the housing sponsor or sponsors regulated pursuant to the authority and within the restrictions provided for by the Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** That Rhode Island Housing be and hereby is authorized to make a revolving construction loan up to \$500,000 to Community Works Rhode Island. The loan will be structured generally in accordance with the description contained herein, with such changes as the Executive Director or the Director of Development may, in their sole discretion determine to be necessary or advisable.

**Resolved,** That the Executive Director, or the Directors of Housing Development and Homeownership, 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.

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

1. Execution of a Master Loan Agreement by CWRI satisfactory to Rhode Island Housing.
2. Submission of all construction contracts, plans and specifications, marketing plans, construction budgets, schedule of payments, lien releases, commitment for gap financing, home buyers' applications and other documentation necessary for loan funding and construction loan and end loan approval.
3. Rhode Island Housing Homeownership Division approval of end loans for homebuyers.

**Approval of Financing for Prospect Heights**

Mr. Godfrey presented this request.

This Request for Action ("RFA") seeks preliminary approval of financing for the acquisition and rehabilitation of Prospect Heights, a public housing development owned by the Pawtucket Housing Authority ("PHA"). Omni Development ("Omni") and WinnDevelopment ("Winn")

are partnering as co-developers (“Omni/Winn”) and have requested tax exempt construction financing for the redevelopment of Phase I of Prospect Heights (the “Development”).

Prospect Heights is a 292 unit public housing development serving primarily families. In 2013, the PHA issued a Request for Proposals to identify a development partner to redevelop Prospect Heights and Omni/Winn was selected as developer. Omni/Winn and the PHA are working on a Memorandum of Understanding outlining their respective roles and particularly the role of the PHA after the development is refinanced. Omni/Winn intends to redevelop the site in three phases. This RFA is for Phase I which proposes to redevelop 101 apartments.

In conjunction with the PHA, Omni/Winn applied to HUD for assistance under the Rental Assistance Demonstration (RAD) program in December 2013. This voluntary, limited demonstration program allows housing authorities to convert their operating funds known as an Annual Contributions Contract (“ACC”) to either project based vouchers or project based rental assistance contracts. Public Housing Authorities are prohibited from using operating funds for debt service. This prohibition limits their ability to make repairs to public housing properties which often have deferred capital needs. By converting the ACC to another form of rental assistance, the owner can leverage debt to undertake rehabilitation and needed capital improvements. Existing public housing residents are not adversely affected by a RAD conversion as all eligibility requirements are the same. However, depending on the degree of rehabilitation, temporary relocation may be required.

The initial RAD Demonstration Program only provided authority for the conversion of 60,000 units; however, HUD received applications for the conversion of approximately 175,000 units. The conversion of additional units is included in the proposed 2015 federal budget but until approved by Congress, the conversion of additional units is on hold and no new RAD conversion contracts can be awarded. HUD intends to review the RAD applications and prepare conditional approvals. When the current funding cap is lifted, HUD will issue Commitments to enter into a Housing Assistance Payment Contract (a “CHAP”) to all approved applications and process in order of the waiting list. It is unknown where the Prospect Heights application is on HUD’s waiting list.

According to a Physical Needs Assessment (“PNA”) completed in 2010, Prospect Heights needs significant capital improvements, and given the poor condition of the units and infrastructure, may be a candidate for demolition which would result in the loss of 292 deep subsidy apartments.. The estimated cost per the PNA for the rehabilitation of all 292 units is \$18.4 million or \$63,000 per unit. Phase I assumes a construction cost of \$6.5 million or approximately \$64,000 per unit. The current scope includes replacement of underground water and sewer lines, replacement of the underground heating distribution system, replacement of windows, siding, roofing and entries, modernization and redesign of units which do not currently meet the needs of families, mold and moisture remediation, replacement of asphalt roads, parking, and walkways.

Omni/ Winn has proposed an ambitious financing plan that includes tax exempt bonds and 4% tax credits as well as a variety of grants and subsidies. As part of the acquisition of Prospect Heights, the PHA will sell the units to the Omni/Winn partnership and take back a note for the

acquisition cost. A third party appraisal will be required to validate the cost and the acquisition price will be adjusted accordingly based on the appraisal determined as-is value. Construction will be funded through tax exempt bonds issued by Rhode Island Housing as well as a portion of the subordinate debt. The developers have not yet requested a Letter of Intent from a syndicator nor have they applied for the various subsidy programs. They are seeking this preliminary approval to assist with the applications for those funds.

This RFA is for preliminary approval of tax-exempt construction financing. Other sources include (i) equity from the sale of 4% housing tax credits, (ii) Rhode Island Housing HOME funds, (iii) City of Pawtucket HOME funds, (iv) City of Pawtucket CDBG funds, (v) Pawtucket Housing Authority seller take back note, (vi) deferred developer fee, (vii) income from operations (viii) and a loan of Capital Funds from the Pawtucket Housing Authority.

Upon completion, the tax exempt construction loan will be repaid with syndication proceeds and the other sources of funding. The developer is likely to seek an FHA insured first mortgage through the HUD MAP loan program. Rhode Island Housing is a recently approved MAP lender and may consider providing the permanent debt. The new owner will be required to sign a 40-year use agreement ensuring long term affordability.

This RFA requests preliminary approval for a tax-exempt mortgage amount up to \$7,000,000.

Mr. Godfrey introduced Joe Caffey, Executive Director of Omni Development, who respectfully responded to questions from the Board regarding the anticipated length of time to closing and if improvements are intended for the internal as well as external facade of the development. Mr. Caffey replied that closing is generally nine months from approval and that the proposal incorporates a face flit for the entire development.

Upon a motion made by Commissioner Monteiro and seconded by Commissioner McAllister 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 three (3) 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, all with respect to the residential development described below;

**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 development as follows:

<b>Development</b>	<b>Applicant</b>	<b>Tax Exempt Loan</b>
Prospect Heights	Omni Development Corp./Winn Development	\$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’s enabling legislation, regulations, guidelines and policies;

**Whereas,** Rhode Island Housing finds that:

- (1) That there exists a shortage of decent, safe, and sanitary housing at rentals or prices which persons and families of low or moderate income can afford within the general housing market area to be served by the proposed housing development;
- (2) That private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe, and sanitary housing in the general housing market area at prices which persons or families of low and moderate income can afford or to provide sufficient mortgage financing for residential housing for occupancy by those persons or families;
- (3) That the housing sponsor or sponsors undertaking the proposed housing development in this state will supply well-planned, well designed housing for persons or families of low and moderate income and that those sponsors are financially responsible;;
- (4) That the proposed housing development to be assisted pursuant to the provisions of this chapter will be of public use and will provide a public benefit;
- (5) That the proposed housing development will be undertaken and the housing sponsor or sponsors regulated pursuant to the authority and within the restrictions provided for by the Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws.

**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 \$7,000,000 to Omni Development Corporation/Winn Development or an affiliated partnership (the “Borrower”) for rental housing located in Pawtucket, 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 \$7,000,000 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 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:

- Approval from HUD of a RAD Conversion and award of a CHAP in amounts sufficient to assure development feasibility
- HUD approval of the mixed financing proposal.
- A Regulatory and Operating (“R&O”) Agreement, acceptable to Rhode Island Housing, between PHA and the Borrower regarding the public housing assisted units.
- Commitment of permanent financing from Rhode Island Housing or another lender.
- A relocation plan acceptable to Rhode Island Housing
- Acceptable final appraisal by an independent appraiser that supports the purchase price 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 an amount sufficient to assure development feasibility.

- Approval of Building Homes Rhode Island, HOME, and Pawtucket Community Development Block Grant funds to make the project feasible, or the availability of alternative equity satisfactory to Rhode Island Housing.
- Approval of a Memorandum of Understanding between the Pawtucket Housing Authority and Omni/Winn acceptable to Rhode Island Housing.
- Approval by Rhode Island Housing of all members of the development team.
- Approval of an operating budget for the new development.
- Approval by Rhode Island Housing of management documents and all management related issues including marketing and lease-up plans
- Receipt of a satisfactory Capital Needs Assessment or other assessment of property condition acceptable to Rhode Island Housing.
- 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 or the Director of Development each acting singly, shall take any and all actions they deem necessary to carry out the forgoing Resolutions.

### **Approval of Transfer of Physical Assets (TPA) for Redfern Apartments**

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for approval of the transfer of limited partner interests in Redfern Grove Apartments due to the death of two of the limited partners.

Redfern Grove Apartments (“Redfern” or the “Development”) is an affordable housing development located at 2936 Pawtucket Avenue in East Providence. The Development contains 72 apartments consisting of 65 one-bedroom and 7 two-bedroom apartments. Redfern was originally constructed in 1981 utilizing financing from Rhode Island Housing and was refinanced in 2005 under Rhode Island Housing’s Preservation Program. The refinance extended the affordability of the Development, and completed approximately \$600,000 in repairs. Terms of the refinance also required the owner to establish a reserve sufficient to cover the costs of necessary upgrades and improvements forecasted in future years.

The owner of the Development is 1363 Smith Street Limited Partnership. The current general partner is Affordable Housing Strategies, Inc. which owns 24% of Redfern. The current limited partners were H. David Hedison and Harry D. Hedison who each own 26% and Roland J. Ferland who owns 24%. Both Mr. Hedisons have passed away and their interests have passed to each of their respective trusts. This RFA is for approval of the transfer of the interests of both H. David Hedison and Harry D. Hedison to their respective trusts.

Each of the trusts has two Trustees. The Trustees of each trust are the adult children of the respective Hedison. They are as follows:

- H. David Hedison Revocable Trust DTD: Eric D. Hedison, Trustee and Kenneth H. Hedison, Trustee.
- Harry D. Hedison Marital Trust: Rochelle Ryan, Trustee and Kimberly O'Brien Trustee.

The following chart sets forth the initial and successor interests in the Partnership:

<b>Original Partnership</b>		<b>Revised Partnership</b>	
<b>General Partner</b>	<b>Interest</b>	<b>General Partner</b>	<b>Interest</b>
Affordable Housing Strategies, Inc	24%	Affordable Housing Strategies, Inc	24%
<b>Limited Partners</b>		<b>Limited Partners</b>	
H. David Hedison	26%	H. David Hedison Revocable Trust DTD	26%
Harry D. Hedison	26%	Harry D. Hedison Marital Trust	26%
Roland J. Ferland	24%	Roland J. Ferland	24%

Staff has reviewed the request under the Rules and Regulations Governing Proposed Prepayments or Transfers and has determined that the proposed transaction complies with these requirements. The Loan Servicing division has determined that the Development has no outstanding capital improvement needs and has adequate reserves on hand to meet anticipated future maintenance needs. The management team for the property remains unchanged. Finally, since the loan documents and regulatory agreements associated with the recent preservation refinance will remain in place, the Development will continue to be affordable to low and moderate-income persons as originally structured.

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

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

RESOLVED: That the transfer of the limited partner interest in 1363 Smith Street Limited Partnership by H. David Hedison to the H. David Hedison Revocable Trust DTD, and Harry D. Hedison to the Harry D. Hedison Marital Trust, be, and hereby is, approved, subject to the following terms and conditions:

1. Receipt by Rhode Island Housing of all application materials required in Phases 2 and 3 of the Regulations Governing Proposed Prepayments and Transfers, with the exception of such requirements as may be waived or modified by the Executive Director, consistent with the nature of this transaction and the protection of the interests of the Rhode Island Housing.

2. Satisfaction of any additional requirements that the Executive Director believes to be necessary or advisable to protect the interests of Rhode Island Housing with respect to the Development.

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

### **Firm Approval of TCAP Loan for Kingstown Crossings II, LP**

Mr. Godfrey provided an overview of this request.

Commissioner Feisthamel stated that as the representative of General Treasurer Gina Raimondo, who serves on the board of Crossroads Rhode Island, he would recuse from consideration and the vote on this request.

This Request for Action (“RFA”) is for firm commitment of up to \$207,100 of a Tax Credit Assistance Program (“TCAP”) Loan for Kingstown Crossings II (the “Development”) located in North Kingstown. The Sponsor is Crossroads Rhode Island (“Crossroads”).

Kingstown Crossing I and II comprise a newly built 2-phase, 104 apartment complex on Navy Drive in North Kingstown. Kingstown Crossings I (“KCI”) was completed in January 2012 and replaced 58 obsolete rental units. All of the apartments in KCI receive Section 8 assistance. Unable to attract tax credit equity due to the economic down turn, KCI was initially funded in part with an award of TCAP funds of \$4.6 million. TCAP was one of the stimulus programs created by Congress during the early years of the recession. After initial closing, but prior to completion, KCI was able to attract a syndicator and a portion of the syndication proceeds was used to repay approximately \$1.2 million of TCAP funds. The TCAP repayment funds have been returned to Rhode Island Housing to be used to fund other qualifying affordable housing activities.

The second phase, Kingstown Crossings II (“KCII”), received firm commitment in April 2012, was completed in December 2013 and fully leased in February 2014. It consists of 46 apartments in 7 buildings. All of the apartments serve households earning less than 60% of AMI (\$39,000 per year for a family of 3). However, 14 homes are reserved for households earning less than 40% of AMI (\$26,000). Twenty-six of the units are set aside for homeless families or households at risk of homelessness. A new management office and maintenance building which serve both phases were also built as part of KCII. A third phase is planned to have a child care and development center.

Due to some development delays and a reallocation of some costs from KCII to KCI, the syndicator, Stratford Capital is reducing its equity investment in KCII by approximately \$207,100. With all other sources of funds exhausted, the adjustment can only come from Crossroads’ development fee.

The reallocation of costs is associated with the maintenance building, management office and other community areas shared between KCI and KCII. The reallocated costs could theoretically have been claimed by KCI but that development financing is already closed.

Given the interconnected relationship of these projects including a shared Sponsor, syndicator and lender, staff recommends approval of a TCAP loan to KCII to address the funding shortfall. The loan will carry 0% interest and repayment will be deferred for 30 years. The award of this financing will ensure that Crossroads is able to receive its full anticipated developer fee. Crossroads, like our other non-profit partners, is heavily reliant on development fee income to support its other community based activities.

This Request for Action is for firm approval of a TCAP Loan of up to \$207,100 to Kingstown Crossings II.

Michelle Wilcox of Crossroads was present and thanked the Board for their consideration of this request.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner Monteiro the following resolution was approved with 6 votes in favor, none opposed and Commissioner Feisthamel not voting. Commissioner Feisthamel 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,** the Applicant listed below has presented an application to Rhode Island Housing requesting an allocation of tax credits to acquire and rehabilitate a residential housing development as follows:

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

**Whereas,** Rhode Island Housing staff has determined that the applicant ("Applicant") listed below is eligible for the Program under the laws of the State of Rhode Island and the Federal Tax Code; and

**Whereas:** The United States Department of Housing and Urban Development:(“HUD”) has issued regulations, terms and conditions for implementing the Tax Credit

Assistance Program (“TCAP”) established by the American Recovery and Reinvestment Act of 2009 (“ARRA”); and

**Whereas,** The Applicant has requested an award of TCAP income financing as follows:

<b>Development</b>	<b>TCAP Loan</b>
Kingstown Crossings II	\$207,100

**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;

**Whereas,** Rhode Island Housing finds that:

(1) That there exists a shortage of decent, safe, and sanitary housing at rentals or prices which persons and families of low or moderate income can afford within the general housing market area to be served by the proposed housing development;

(2) That private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe, and sanitary housing in the general housing market area at prices which persons or families of low and moderate income can afford or to provide sufficient mortgage financing for residential housing for occupancy by those persons or families;

(3) That the housing sponsor or sponsors undertaking the proposed housing development in this state will supply well-planned, well designed housing for persons or families of low and moderate income and that those sponsors are financially responsible;;

(4) That the proposed housing development to be assisted pursuant to the provisions of this chapter will be of public use and will provide a public benefit;

(5) That the proposed housing development will be undertaken and the housing sponsor or sponsors regulated pursuant to the authority and within the restrictions provided for by the Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws.

**NOW, THEREFORE, IT IS HEREBY:**

**Resolved,** That, subject to the special conditions listed below, the Rhode Island Housing hereby gives firm approval of financing for a TCAP mortgage to Kingstown Crossings II, LP (the “Borrower”) in an amount not to exceed \$207,100 (the “Loan”) for family housing located in North Kingstown, Rhode Island.

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

- Syndicator consent of the additional TCAP loan
- Repayment of the Rhode Island Housing construction loan, establishment of reserves and fulfillment of the items required for completion as outlined in the existing Loan documents.

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

### **Approval of Rhode Island Housing's 15-18-20 Strategic Plan**

Mr. Godfrey presented this request.

The 15-18-20 Strategic Plan is a broad outline of what Rhode Island Housing will strive to achieve over the next 2 – 7 years. To turn this blueprint into reality will require work-plans for each goal. Some of these work-plans will be reasonably achievable within the next two years and others will take longer. However, we must always keep looking and reaching beyond the immediate tasks. Nothing in this plan is impossible, but some goals are subject to outside forces beyond our control. We must constantly look for ways to shape or circumvent these forces, but also make certain that we perform those tasks within our control to the best of our ability.

As we pursue our longer term goals, we must also focus on the immediate needs. Every day, Rhode Island citizens are suffering from the lack of a home, an unhealthy home or a home that is so costly that it deprives the family of the financial resources needed to be healthy and productive. There will always be competition between the allocation of resources, human and financial, between addressing immediate needs and achieving systemic change. Communication, within our organization and with our partners, is essential to maintaining the proper balance.

It must also be remembered that Rhode Island Housing is self-sustaining. While it receives some fees for administering programs, it primarily survives by giving outside investors the confidence that they can earn a safe and reasonable return on the funds they entrust to us.

This is what we must work to do every day:

- Meet immediate housing needs;
- Work for systemic improvement in homes for Rhode Island's individuals, families and communities; and
- Remain financially sound.

Activities within the 15-18-20 plan fall within three time periods – 2015, 2018 and 2020. These are the general timelines for completion of the activities. Some activities may begin right away and in fact some are currently underway. Even those activities with longer time horizons may have start dates in 2013 and 2014.

## Context

Created in 1973, Rhode Island Housing's original mission was to issue tax exempt bonds to fund the construction of affordable apartments and home purchase loans at rates that were lower than generally available through conventional sources. From its beginning, Rhode Island Housing was also a vehicle for bringing federal housing programs including mortgage insurance and subsidies to Rhode Island. Over the next 34 years, Rhode Island Housing was gradually assigned additional tasks by the General Assembly and became the state's primary housing agency.

In 2007, Rhode Island and the world descended into the worst economic recession since the 1930's. This undermined the entire financial system and upended the traditional advantages of tax-exempt financing. As the federal government fought to rescue the country's finances, it used Rhode Island Housing and HFAs in other states as major tools in stabilizing the housing market. In this post-recession era, tax-exempt bonds have not yet recovered their rate advantage. The federal government is seeking to reduce the deficits accumulated during the recession and has significantly reduced funding for housing programs. Fannie Mae and Freddie Mac remain in federal receivership and the future role of the federal government remains uncertain.

Rhode Island still has a housing shortage and has high housing costs, even as home values crashed during the recession. Foreclosures remain high and homes are being lost to abandonment. Homelessness has increased in spite of the efforts of many agencies. Rhode Island Housing's earnings have dropped and its expenses related to portfolio delinquencies and foreclosures have increased substantially. Rhode Island Housing has trimmed its staffing, programs and operating costs to adjust to the new environment.

Rhode Island is fortunate to have many agencies committed to improving housing conditions. These include businesses, non-profits and governments at the local, state and federal levels. As Rhode Island Housing has engaged in this strategic planning process, it has sought to refine its role within its statutory charge, the state's housing needs, the activities of its housing partners and the economic realities. As the 15-18-20 Plan indicates, we are looking forward to 2015 when it is anticipated that our state's recovery from the recession will be well underway, 2018 when the federal government has redefined a predictable role for itself in housing finance and 2020 when relative stability returns.

In engaging in the planning process, Rhode Island Housing examined its six mission areas and four operational spheres including finances and human resources. For each of these areas and spheres, the following questions were answered:

- What is Rhode Island Housing doing?
- What are others doing?
- What's working?
- What's not working?
- What could we do?
- What could we stop doing?
- What could we do better?
- What would be extraordinary?

Extensive investigation was conducted to answer these questions and each of the various committees issued and presented final reports.

### **Next Steps**

The draft strategic plan presented here reflects the assimilation of those committee efforts. The draft plan has been reviewed with and reflects input from Board Members, senior staff, the 15-18-20 Steering Committee and various partner groups and individuals. Following approval by the Board, staff will develop implementation outlines for each initiative.

The draft plan organized initiatives by anticipated date of completion. In response to suggestions made during the public input process that 2020 may be too long to wait for some items, we have instead arranged them in three sub-groups. Group One reflects those items which are most important and are sufficiently under the control of Rhode Island Housing that they are reasonably achievable within 18 – 24 months. Group Two includes activities that may take a little longer to achieve given external events that have to happen or that may not happen as quickly as Group One because of resource constraints. Group Three includes some items that require major systemic change, state or federal legislative action or a major investment of resources that may not be immediately available.

A discussion followed the presentation with Commissioner McGreevy requesting periodic updates as a mechanism for accountability and to measure progress. Chairman Cortés also observed that the Plan is ambitious and complimented staff and external committee for the final creation.

Staff recommends adoption of the 15-18-20 Strategic Plan as presented at the April 17, 2014 Board meeting.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Costantino the 15-18-20 Strategic Plan was unanimously adopted as presented to the April 17, 2014 board meeting.

### **Approval of Executive Director's Employment Contract**

Chairman Cortés presented this item and presented a report regarding matters considered at the March 20, 2104 and April 16, 2014 meetings of the Management and Budget Committee meetings.

Chairman Cortés explained that the Executive Director's current employment agreement expires on April 30, 2014. In accordance with standard practice, the Management and Budget Committee (Committee) of the Board of Commissioners met on March 20, 2014 and April 16, 2014 to consider whether the employment agreement should be renewed, and if so, the terms and conditions of the renewal.

On March 20, 2014, the Committee reviewed the evaluation of the Executive Director that was completed in November 2013, as well as the exceptional accomplishments of Rhode Island Housing for calendar year 2013. The Committee met again on April 16, 2014 to make a final

recommendation to the full Board regarding renewal of the Executive Director's employment agreement.

As a result of these meetings, the Committee determined it was important to signal to the incoming administration its support of the Executive Director while offering maximum flexibility to the Board in one year, which will have several new members associated with the incoming administration, to review the accomplishments of the organization and the performance of the Executive Director at that time. The Committee recommends that the Executive Director's employment agreement be renewed for a one-year term effective May 1, 2014, with an automatic extension for 6 months unless notice of non-renewal is provided at least 60 days in advance of April 30, 2015.

Commissioner DeRentis next spoke regarding the prior evaluation of the Executive Director and noted that the initial recommendation of the Management and Budget Committee was for a renewal of the Executive Director's contract for a two year term on the same terms and conditions as the current contract. Mr. DeRentis stated his belief that the standard two-year agreement was warranted and merited for consideration, and made a motion to that effect. The motion was seconded by Commissioner Monteiro.

A brief discussion followed Commissioner DeRentis' recommendation. Chairman Cortés thanked Commissioner DeRentis and called for a vote on the renewal of a two-year employment agreement for the Executive Director. The motion failed on a 5-2 vote, with Commissioners DeRentis and Monteiro voting in favor.

Chairman Cortés then recommended that the attached resolution authorizing a one-year employment agreement for the Executive Director, with a six-month extension, be approved.

Upon a motion made by Commissioner Costantino and seconded by Commissioner McGreevy the following resolution was adopted with 6 votes in favor and one vote in opposition by Commissioner Monteiro.

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

**RESOLVED:** That Rhode Island Housing is authorized to enter into a one-year employment agreement with Richard Godfrey effective May 1, 2014, with an automatic six-month extension unless notice of non-renewal is provided 60 days in advance of April 30, 2015, substantially on the same general terms and conditions as the current employment agreement, with such modifications that the Chair of the Board of Commissioners determines to be in the best interests of Rhode Island Housing.

**RESOLVED:** The Chair of the Board of Commissioners is hereby directed and authorized to take any and all actions as he deems necessary or desirable to carry out the foregoing resolution.

**Executive session pursuant to RI Gen Laws 42-46-5(a)(2) for the purpose of discussing the litigation matter captioned Gayle Corrigan v. Rhode Island Housing and Mortgage Finance Corporation and Richard H. Godfrey, Jr., C.A. No. 14-54-S (U.S. Dist. Ct.) with outside legal counsel.**

Chairman Cortés called for a closed session at approximately 9:20 a.m. pursuant to R.I.G.L. Section 42-46-5 (a) (2) to discuss litigation matters.

Upon a roll call vote each of the commissioners voted in favor of the motion for a closed session.

The closed session ended at approximately 9:35 a.m. and Chairman Cortés reconvened the Board in open session.

A motion to seal the minutes of the closed session was duly made by Commissioner DeRentis and seconded by Commissioner McGreevy, which was unanimously adopted by the Commissioners.

There being no further business to discuss, the open meeting was adjourned at approximately 9:32 a.m.

Respectfully submitted,

Richard Godfrey  
Secretary and Executive Director