

Draft
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 19, 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; Paul McGreevy, Director of Department of Business Regulation; Andrew Roos designee for General Treasurer Gina Raimondo; Steven Costantino, designee for Richard Licht, Director of Administration (arrived at 8:33); Jim DeRentis and Stephen P. McAllister. Commissioner Monteiro was absent.

Also in attendance were: Richard H. Godfrey, Jr., Executive Director; Gayle Corrigan, Deputy 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 May 15, 2014

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

VOTED: That the Minutes of the Board Meeting held on May 15, 2014 be and hereby are approved.

Chairman's Report

Chairman Cortés did not have anything to report.

Committee Reports

Chairman Cortés stated that the Management and Budget Committee met on May 21, 2014 to review the FY 2015 budget. As copies of the minutes of the Management and Budget Committee were previously distributed to the Commissioners the Chairman deferred his report for discussion as part of item 15 of the agenda, Approval of FY 2015 Budget.

Executive Director's Review of Recent Activities and Trends

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

Mr. Godfrey reported that for the first time in many years Rhode Island Housing's budget displays a positive improvement in revenues. As Rhode Island's economy shows encouraging signs of recovery, Rhode Island Housing has put in place several innovations in adjusting to the current housing finance world and has adopted a strategic plan that will allow the Agency to adapt to future changes. Rhode Island Housing's FY 2014 budget is significantly ahead of revenue projections. The Agency plans to use a portion of the extra revenue to fund a capital improvement and operating deficits program for housing partners and a portion to fund salary increases for staff.

Commissioner Costantino arrived at this point of the meeting at approximately 8:33 a.m.

Mr. Godfrey announced that the new First Homes Tax Credit will be available to customers who submit applications on or after July 1. Under this program, eligible homebuyers can get a tax credit for 20% of their annual mortgage interest payments (up to \$2000) for the life of the loan. Interest in excess of the credit amount can be claimed as a deduction. For a typical borrower with a mortgage of \$150,000, this will mean a savings of \$1,600 per year. On June 13, a lender breakfast was held to explain the program to lender partners and to encourage their participation. Advertising for the tax credit will begin the week of June 23 and is focused on web advertising and print advertising in local newspapers around the state. Realtor outreach will also be conducted.

On June 13, the House passed the FY15 state budget which included a small increase in the real estate transfer tax. Revenue from that increase will be set aside to support the Housing Resources Commission's (HRC) programs, including continued funding for the homeless rental assistance program and lead hazard reduction program. Mr. Godfrey also noted that the budget requires the Attorney General to transfer \$600,000 in settlement funds to the HRC to support the lead hazard reduction program. The transfer tax increase is expected to generate \$2.8 million in FY15 which, when combined with the transfer from the Attorney General's office, should result in increased funding for the HRC's programs next year and a permanent funding stream moving forward. The budget also restores the funding that was cut from the State's SSI reimbursement for low-income individuals participating in the Rhode Island Housing Assisted Living Waiver Program in the FY12 budget. The three facilities funded through the Rhode Island Housing Assisted Living Waiver Program are Forest Farms in Middletown, Franklin Court in Bristol and St. Elizabeth's in Providence. Funding for the State Historic Tax Credit was not included in the budget. The Senate passed the bill without changes on June 16. The Governor is expected to sign it.

Mr. Godfrey commented that staff has been negotiating with the Attorney General, the Department of Business Regulation (DBR) and a host of industry partners since the beginning of the year to craft a technical correction bill that addresses some concerns that have been raised

about the foreclosure mediation law in its first year of implementation. On Thursday, June 5, legislation was introduced at the request of the Bankers Association which would make significant changes to the law, many of which are outside the scope of the earlier negotiations. Hearings were held on the bill in both the House and Senate Judiciary Committees on Tuesday, June 10. Rhode Island Housing joined the Attorney General, the Department of Business Regulation and other housing and social justice organizations in strongly opposing the bill. The Agency is working closely with the Attorney General, DBR and our industry partners to reach a compromise on a technical corrections bill that is based on earlier negotiations.

Chairman Cortés acknowledged the level of dedication required to educate the Legislature on these critical issues and commended staff on the exceptional results.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Roos, the Executive Director's Report was approved as presented by Mr. Godfrey at the June 19, 2014 Board meeting.

Approval of Rental Housing Capital Improvement Program Awards

Carol Ventura, Director of Development, gave this presentation. In accordance with an Advisory Opinion from the Ethics Commission, Mr. Godfrey did not participate in the review and recommendation of the proposals since Mr. Godfrey's wife is the Executive Director of SWAP, one of the applicants for funding.

Ms. Ventura disclosed that Coventry Housing Associates has withdrawn its application for funding and therefore the final requested approval for this resolution is \$29,700 less than originally noted. The new adjusted amount is \$1,425,326.

Ms. Ventura then provided an overview and breakdown of the proposed projects regarding funding recommendations and scope of anticipated work. Representatives from each of the proposed recipients were present and available to respond to questions from the Commissioners.

Rhode Island Housing has 13,700 affordable apartments in its portfolio. In addition, more than 4,300 affordable homes have been financed under the state's HOME Investment Partnerships Program. Many of these developments were constructed and rehabilitated in the 1990s and are beyond their initial 15 year tax credit compliance term. Several developments lack adequate reserves to conduct necessary improvements to insure that residents are housed in a safe and healthy environment. There is a need to upgrade these affordable apartments to meet health and safety standards, make necessary capital improvements and address physical deterioration due to wear and tear.

At its March 20, 2014 meeting, the Board of Commissioners approved program guidelines and proposed amended regulations for the Rental Housing Capital Improvement Program (the "Program") to fund improvements for rental developments previously financed through Rhode Island Housing programs. On May 15, 2014 the Board of Commissioners provided final

approval of the Program regulations. In March, staff issued a Request for Proposals based upon the proposed amended Program regulations.

A total of 13 applications requesting more than \$3 million in repairs for 447 affordable apartments were submitted on May 2, 2014. Staff reviewed all applications for eligibility and additional information was requested as necessary. Eligible applications were submitted to a committee comprised of staff from several divisions for review. The committee convened on May 14, 2014 and has recommended commitment of Program funding in the amount of \$1,455,026 for 10 proposals.

Staff recommends approval of an amended commitment of Rental Housing Capital Improvement Program financing of \$1,425,326 for 9 proposals to rehabilitate 280 affordable homes.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner McAllister the following resolution was unanimously adopted as amended to reflect Coventry Housing Associates' withdrawal of their application for funding.

**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 established the Capital Improvement Loan Program (the "Program");

WHEREAS: The applicants listed in the Request for Action have submitted applications which meet the requirements of the Program and;

WHEREAS: Staff of Rhode Island Housing has reviewed each of the eligible applications submitted and has recommended that Program funds be committed to the proposals in Attachment A;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and is hereby authorized, to commit \$1,455,026 in Fiscal Year 2014 Capital Improvement Loan Program funds in accordance with the Program Regulations as approved by the Board of Commissioners of Rhode Island Housing.

RESOLVED: That the Executive Director and the Director of Development, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary to carry out the foregoing resolution.

Approval of Homeless Facility Improvement Program and Operating Deficit Fund Awards

Mr. Godfrey gave this presentation.

Commissioner Roos noted that the General Treasurer, Gina Raimondo is a board member of Crossroads Rhode Island, which is one of the applicants for funding. He therefore recused from discussion, consideration and the vote on this item.

Homeless shelters and transitional shelter housing developments in Rhode Island are in need of significant upgrades to insure that residents are housed in a safe and healthy environment. These facilities need to be upgraded in order to meet current health and safety standards, provide accessibility, make capital improvements and address physical deterioration due to wear and tear. In addition, many organizations are struggling with operating deficits and require emergency funding to ensure that services are available to individuals and families served by these organizations.

At its March 20, 2014 meeting, the Board of Commissioners approved program guidelines and proposed amended regulations for the Homeless Facility Improvement and Operating Deficit Fund Program (the "Program") to fund improvements for shelters and to assist agencies experiencing operating deficits. On May 15, 2014 the Board of Commissioners provided final approval of the Program regulations. In March, staff issued a Request for Proposals for both capital improvement and operating deficits funds based upon the approved Program guidelines.

A total of 14 applications requesting more than \$1.9 million from the Program were submitted on May 2, 2014. Staff reviewed all applications for eligibility and additional information was requested as necessary. Eligible applications were submitted to a committee comprised of staff from several divisions for review. The committee convened on May 20, 2014 and has recommended commitment of Homeless Facility Improvement funding in the amount of \$1,254,316 for 10 facilities and \$433,513 in Operating Deficit funding for 6 agencies for a total recommendation of \$1,687,829 in Program funding.

Staff recommends commitment of Homeless Facility Improvement funding of \$1,254,316 for 10 facilities and \$433,513 in Operating Deficit funding for 6 agencies for a total recommendation of \$1,687,829 under the Rhode Island Housing Homeless Facility Improvement and Operating Deficit Fund.

Following the presentation, Ms. Ventura introduced Eileen Hayes, Executive Director of Amos House, and a major recipient of the Homeless Facility Improvement Program, who delivered a PowerPoint presentation showcasing Amos House's expansion of their facility along with providing additional services for their clients.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner McGreevy the following resolution was approved with 5 votes in favor, none opposed; and one recusal from Commissioner Roos. Commissioner Roos 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”) has established the Homeless Facility Improvement and Operating Deficit Program (the “Program”);

WHEREAS: The applicants listed in the Request for Action have submitted applications which meet the requirements of the Program and;

WHEREAS: Staff of Rhode Island Housing has reviewed each of the eligible applications submitted and has recommended that Program funds be committed to the proposals in Attachment A;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and is hereby authorized, to commit \$1,687,829 in Fiscal Year 2014 Homeless Facility Improvement and Operating Deficit Program funds in accordance with the Program Regulations as approved by the Board of Commissioners of Rhode Island Housing.

RESOLVED: That the Executive Director and the Director of Development, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary to carry out the foregoing resolution.

Approval of Neighborhood Opportunities (NOP) Program Awards

Carol Ventura, Director of Development, made this presentation. In accordance with an Advisory Opinion from the Ethics Commission, Mr. Godfrey did not participate in the review and recommendation of the applications since Mr. Godfrey’s wife is the Executive Director of SWAP, one of the applicants for funding.

Commissioner Roos again noted that the General Treasurer, Gina Raimondo is a board member of Crossroads Rhode Island, which is one of the applicants for funding. He therefore recused from discussion, consideration and the vote on this item.

Ms. Ventura briefly summarized the awards and announced that representatives from each of the proposed recipients were in attendance and available to answer the Board’s questions.

The Neighborhood Opportunities Program (NOP) was, from its inception in 2001 until FY 2011, a state-funded program of the Housing Resources Commission. NOP has provided the gap funding necessary for the development and operation of housing for very low-income families and for homeless and disabled households requiring supportive services. Beginning in FY 2012, Rhode Island Housing has provided funding for NOP. For FY 2014, Rhode Island

budgeted \$1,300,000 for NOP. While no new NOP apartments are being funded, Rhode Island Housing has undertaken projections that demonstrate that we can likely fund renewals at least through 2025. However, each contract renewal will be subject to the availability of funds.

In response to a Request for Proposals that was issued in December, 2013, Rhode Island Housing received seventeen proposals requesting \$4,972,104 in operating subsidy. All applications were reviewed by staff. Additional information was requested where necessary.

Rhode Island Housing requested that the NOP subcommittee of the Housing Resources Commission serve as a community advisory committee in the review of applications. The committee reviewed the recommendations via e-mail, and recommends sixteen proposals for NOP operating subsidies totaling \$1,189,701. This award will provide renewal operating funding for 165 NOP units and will extend their affordability period an additional three to five years.

The proposed project sites are located in the following communities: Central Falls, Lincoln, North Kingstown, Providence, South Kingstown, Warwick, West Warwick, and Woonsocket. In this round, 165 NOP-assisted apartments will serve families and individuals with household incomes not exceeding 40% of State median income, including 62 homeless and disabled adults and one hundred three families.

Upon a motion made by Commissioner McAllister and seconded by Commissioner DeRentis the following resolution was approved with 5 votes in favor, none opposed; and one recusal from Commissioner Roos. Commissioner Roos 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”) has agreed to fund and administer the Neighborhood Opportunities Program (NOP) for FY 2014 and;

WHEREAS: Rhode Island Housing has budgeted \$1,300,000 in FY 2014 agency funds to award to eligible entities under NOP in order to create and maintain affordable housing opportunities for very low-income individuals and families, and;

WHEREAS: Rhode Island Housing received seventeen applications for NOP funding in response to a Request for Proposals which have been reviewed by Rhode Island Housing staff and the NOP Subcommittee of the Housing Resources Commission to determine their eligibility for NOP funding; and

WHEREAS: Rhode Island Housing staff and the Housing Resources Commission NOP Subcommittee have recommended that NOP funds be committed to the proposals listed in Attachment A as presented at this meeting.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing commit \$1,189,701 to the proposals identified in Attachment A subject to the availability of funding, and;

RESOLVED: That the Executive Director and Director of Development, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

Approval of Financing for Meadowbrook Apartments

Mr. Godfrey made this presentation.

This Request For Action (RFA) is for Preliminary Approval of tax exempt financing for Meadowbrook Apartments (the “Development”), an existing housing development originally financed by Rhode Island Housing using the Housing Tax Credit Program (HTC). The development was newly constructed in 1997. The current owner is Meadowbrook Apartments, LP. The developer is Cathedral Development Group (“CDG”). The initial tax credit compliance period expired at the end of 2013.

Meadowbrook is a family development with 47 apartments located in South Kingstown. The development, comprised of 6 buildings and associated parking, contains 17 two-bedroom and 30 three-bedroom apartments. While some of the residents have tenant based vouchers from the South Kingstown Housing Authority, the Development has no project based rental assistance.

The Development was originally financed using 9% HTC, a taxable mortgage, a Targeted Loan and a HOME loan. The Development is currently in good standing. The first mortgage is current. Meadowbrook has been able to maintain high occupancy with vacancies typically under 5%. The general partner is Property Advisory Group, Inc. (“PAG”). The current limited partner is Sun America. Since the initial 15 year compliance period has expired, the limited partner is now seeking to exit the partnership. PAG and Sun America have reached a verbal agreement as to the terms of the exit and are currently working on the written agreement.

The proposed transaction consists of the acquisition and moderate rehabilitation of the Development by a to-be-formed limited partnership consisting of Cathedral Development Group an affiliate of PAG, as general partner and a syndicator-sponsored tax credit fund as limited partner. This preservation transaction will utilize tax exempt bond financing and 4% HTC.

The site is in need of exterior and interior upgrades. The borrower has submitted a preliminary scope of work that includes exterior work consisting of new siding, windows and doors, parking lot improvements upgrades and landscaping. Proposed interior rehabilitation consists of new kitchens and bathrooms, new boilers, hot water heaters as well as life safety system upgrades to meet fire code regulations. Rhode Island Housing will commission an independent Capital Needs Assessment (“CNA”) to ensure that the scope of work adequately addresses the current and future needs of the site. Rhode Island Housing staff will work with the Developer to prioritize upgrades and ensure consistency with the CNA.

As is typical with the preservation of an older HTC development that does not have project based rental assistance, the net proceeds of the new first mortgage and the syndication proceeds are not sufficient to repay the current subordinate debt on the site. Therefore the owner has requested that Rhode Island Housing extend the current Targeted Loan and permit the new owner to assume the loan and its obligations. The loan will continue to be repaid out of 50% of the available cash flow after operating expenses and required debt service is paid. PAG has requested that the HOME loan be rolled over and assumed as well.

The primary sources of funding are a tax exempt first mortgage from Rhode Island Housing; syndication equity from the sale of 4% housing tax credits; assumption and subordination of the existing Targeted and HOME loans; existing project reserves; income from operations; and Building Homes Rhode Island funds.

The Request for Action is for Preliminary Approval of a tax-exempt bond-financed first mortgage up to \$3,000,000 of which \$1,650,000 will remain as permanent debt.

Upon a motion made by Commissioner Roos 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 thirty-five years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

Whereas: Rhode Island Housing is authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

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

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt</u>
Meadowbrook Apartments	Cathedral Development Group	<u>Mortgage</u> \$3,000,000

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

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 declares preliminary approval for tax-exempt mortgage financing to a limited partnership to be formed by Cathedral Development Group., in an amount not to exceed \$3,000,000 for rental housing known as Meadowbrook Apartments located in South Kingstown, Rhode Island to be financed, in part, by tax-exempt bonds;

Resolved: That Rhode Island Housing hereby declares that the preliminary commitment approval of financing for the Borrower constitutes the affirmative official act of

Rhode Island Housing of its intention to issue bonds to finance up to a \$3,000,000 loan plus the required bond reserve funds and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

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

- Syndication equity from the sale of low income housing tax credits in an amount sufficient to achieve project feasibility.
- Receipt of Building Homes Rhode Island funds in an amount sufficient to insure development feasibility.
- Acceptable appraisal by an independent appraiser demonstrating that the total amount of the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Approval by Rhode Island Housing of the scope of the rehabilitation work.
- Review and approval of the new operating budget.
- Approval by Rhode Island Housing of construction plans, specifications, and supporting construction documentation.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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

Approval of Financing for Cherry Hill Apartments

Mr. Godfrey presented this request.

This Request for Action (“RFA”) is for Preliminary Approval of tax exempt financing for Cherry Hill Apartments (“the Development”), an existing development originally financed by Rhode Island Housing in 1977. Preservation of Affordable Housing, LLC (“POAH”) is the developer (“Developer”)

Located in Johnston, Cherry Hill Apartments is an existing 72 unit elderly/disabled development consisting of 66 one-bedroom and 6 two-bedroom apartments. The complex consists of four apartment buildings and a community building with offices. The Development was newly constructed in 1977 and preserved by the original owner in 2003. At that time the Development was moderately rehabilitated.

POAH acquired the property in 2005. As part of that transaction, POAH assumed the existing first mortgage and Rhode Island Housing provided an additional subordinate mortgage. POAH

also assumed an existing AHT loan that had been made to the previous owner. Since inception, Section 8 rental assistance has been provided for all 72 apartments through a Housing Assistance Payment (“HAP”) contract. The current HAP contract expires in 2025.

POAH did not renovate the buildings when it acquired the Development in 2005. Through their active property management and a Capital Needs Assessment (“CNA”), POAH has identified some construction defects in work completed by the prior owner as well as deferred maintenance. Due to improper installation of exterior siding and windows and the aging of the buildings water penetration has resulted in moisture buildup. The siding is failing and water is infiltrating the building. The proposed scope of work includes improving the storm water management on the site, upgrading the entire building envelope including installation of new windows, siding, trim and roofs. Interior work will include completing 32 kitchen and bath replacements and installation of heating and hot water systems. Rhode Island Housing staff will work with the Developer to prioritize upgrades and ensure consistency with an updated CNA.

The proposed transaction consists of the acquisition of the Development by a new, to-be-formed limited partnership, consisting of an affiliate of POAH as general partner and a syndicator-sponsored tax credit fund as limited partner. This preservation transaction will utilize tax exempt bond financing and 4% Housing Tax Credits (“HTC”). And will fund moderate rehabilitation of the Development to address the capital needs identified in the CNA.

The net proceeds of the new first mortgage and the syndication proceeds are not sufficient to repay the current debt and fund necessary improvements. Therefore the owner will seek an award of Building Homes Rhode Island (“BHRI”) funds of approximately \$500,000, or \$7,000 per unit, to fund the remaining gap. The primary sources of funding for the transaction are (i) a tax exempt first mortgage from Rhode Island Housing; (ii) syndication equity from the sale of 4% housing tax credits, (iii) existing project reserves, (iv) income from operations, (v) a seller held Note, (vi) energy rebate funds; and (vii) BHRI funding.

The Request for Action is for Preliminary Approval of a tax-exempt bond-financed construction mortgage of up to \$5,000,000, of which \$3,900,000 will remain as permanent debt in first position.

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**

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 forty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

Whereas: Rhode Island Housing is authorized to issue bridge financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

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

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Mortgage</u>
Cherry Hill Apartments	POAH, Inc.	\$5,000,000

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

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 declares preliminary commitment approval for tax-exempt mortgage financing to a limited partnership to be formed by POAH, Inc., in an amount not to exceed \$5,000,000 for rental housing known as Cherry Hill Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

Resolved: That Rhode Island Housing hereby declares that the preliminary commitment approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue bonds to finance up to a \$5,000,000 loan plus the required bond reserve funds and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

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

- Syndication equity from the sale of low income housing tax credits in an amount sufficient to achieve project feasibility.
- Receipt of Building Homes Rhode Island funds in an amount sufficient to insure project feasibility.
- Acceptable appraisal by an independent appraiser demonstrating that the total amount of the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Approval by Rhode Island Housing of the scope of the rehabilitation work.
- Review and approval of the new operating budget.
- Approval by Rhode Island Housing of construction plans, specifications, and supporting construction documentation.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements

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

Preliminary Approval of Financing for Charlesgate East Apartments

Mr. Godfrey delivered this presentation.

This Request for Action (“RFA”) is for preliminary commitment of tax exempt financing for Charlesgate East Apartments (“the Development”), an existing 100 unit elderly development in Providence. The developer is Davenport Associates, Ltd. (“Davenport” or the “Developer”).

Charlesgate East Apartments is located at 50 Randall Street in Providence. The Development consists of ninety-one (91) one bedroom and nine (9) two bedroom apartments in a single high-rise building that was constructed in 1979. The site was preserved and substantially rehabilitated by Davenport in 1995 utilizing 9% Housing Tax Credits. The Development was refinanced in 2004 to secure financing for improvements to bring the project into compliance with the Americans With Disabilities Act. The Developer has requested new financing in order to take out the original investor limited partner and to undertake additional rehabilitation of the building. Since inception, Section 8 rental assistance has been provided for all 100 apartments through a Housing Assistance Payment (“HAP”) contract. A new 10-year HAP contract was executed on June 1, 2009, and the development recently received a rent increase approval effective June 1, 2014.

The proposed transaction consists of the acquisition and moderate rehabilitation of the Development. Davenport Associates, Ltd. is the general partner of Charlesgate East Affordable Housing Partners, L.P. (the current owner), and is responsible for the day-to-day operations of the Development. A new limited partnership will be formed to purchase the property from the current owner. The new Limited Partnership will consist of an affiliate of Davenport as general partner and a syndicator-sponsored tax credit fund as limited partner. The Developer will complete the renovations using the proceeds from the new loan and from the sale of housing tax credits to a new investor limited partner. Presently, proposed capital improvements include new roofing, upgraded kitchens and baths in all apartments and upgraded elevator equipment. Rhode Island Housing staff will work with the Developer to prioritize upgrades and ensure consistency with an updated Capital Needs Assessment.

In addition to the revenue from the rental apartments, Charlesgate East also receives revenue from two cell antenna leases and a fiber optic lease (the “Telecomm Lease Income”) associated with the building. The leases have been automatically renewed every 5 years since they were installed on the property in 2003. One lease was renewed in September 2013 and the other two were renewed in February and March 2014. The three leases result in net income to the property of approximately \$37,500 per year. Recognizing that technology can change quickly and there is risk associated with capitalizing debt using the Telecomm Lease Income, Rhode Island Housing is discounting this income by 20% for underwriting purposes.

The Developer seeks a tax-exempt loan of \$6,000,000. The mortgage will be underwritten to the lower of HAP or market rents (as determined by independent appraisal) plus the discounted Telecomm Lease Income.

There is an Affordable Housing Trust (“AHT”) Note that was placed on the property in 1995 when the Development was initially preserved. This was early on in Rhode Island Housing’s efforts to preserve the larger Section 8 properties that were nearing the end of their original Regulatory Agreements. The AHT Note was employed to evidence the Partnership's obligation to pay 50% of syndication proceeds plus 50% of future available cash flow as consideration for the tax credits allocated in connection with enrolling in the Preservation Program. The amount of the AHT Note was calculated based on a reasonable estimate of future available cash flow and the AHT Note was assumed by the purchaser and included in the acquisition tax credit basis. The partnership has been making annual payments to pay down the Note. The Developer has requested that this AHT Note remain and be subordinated to the new financing.

Net sales proceeds from the transaction will be used to pay off the existing amortizing debt on the property as well as a loan from the existing partnership. The remaining amount after exit taxes are paid will be distributed to the selling partners according to the terms of the existing limited partnership agreement.

The primary sources of funding are a first mortgage in the amount of \$6,000,000 and syndication equity from the sale of 4% housing tax credits. Other sources include existing reserves, a purchase note from the seller and the new partnership’s assumption of the existing AHT Note. The permanent mortgage will be insured through FHA’s Risk Share Program.

The Request for Action is for Preliminary Commitment of tax-exempt bond financing in an amount of \$6,000,000.

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

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

<u>Development</u>	<u>Applicant</u>	<u>Tax Exempt Mortgage</u>
Charlesgate East Apartments	Davenport Associates, Ltd.	\$6,000,000

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

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 declares preliminary approval for tax-exempt mortgage financing to a limited partnership to be formed by Davenport Associates, Ltd., in an amount not to exceed \$6,000,000 for rental housing known as Charlesgate East Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

Resolved: That Rhode Island Housing hereby declares that the preliminary commitment approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue bonds to finance up to a \$6,000,000 loan plus the required bond reserve funds and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

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

- Acceptable final appraisal by an independent appraiser demonstrating that the new first mortgage does not exceed 90% of the as-stabilized value of the property.
- Approval by Rhode Island Housing of all members of the development team.
- Syndication equity from the sale of Housing Tax Credits in an amount sufficient to insure development feasibility.
- Approval by Rhode Island Housing of proposed capital improvements, construction plans, and specifications and construction documentation.
- Approval of the proposed operating budget.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue
- FHA Risk-Sharing approval for 50% of the permanent First Mortgage.
- 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 action they deem necessary to carry out the foregoing resolutions.

Preliminary Approval of Financing for Braeburn Apartments

Mr. Godfrey presented this request.

This Request for Action (“RFA”) is for Preliminary Approval of tax-exempt financing for the acquisition and moderate rehabilitation of Braeburn Apartments (the “Development”), an existing family and elderly housing development located in the Wanskuck area of Providence, built from the 1800s through the early 1970s and significantly rehabilitated in 1981. Dimeo Properties is the developer (“Dimeo” or the “Developer”).

Braeburn Apartments is a mixed low-rise and townhouse development with fifty-one (51) apartments located in four (4) buildings, with two (2) buildings on Harwol Court, one (1) building on Shiloh Street and one (1) building located on Burns Street. Twenty-one (21) of the apartments are associated with the elderly portion, which is comprised of sixteen (16) one-bedroom and five (5) two-bedroom apartments. The remaining thirty (30) are family apartments, comprised of one (1) one-bedroom apartment and twenty-nine (29) two-bedroom apartments. The existing Section 8 Housing Assistance Payment (“HAP”) contract provides rental assistance for all 51 apartments and expires in 2024.

The properties are currently owned by Braeburn Associates, and managed by Dimeo Properties. The purchaser will be a to-be-formed single purpose entity whose general partner will be Dimeo. The property will continue to be managed by Dimeo after acquisition.

Proposed rehabilitation will focus on building envelope improvements including new roofs, along with parking area paving, common area upgrades and unit re-decks. A Capital Needs Assessment was recently completed and Rhode Island Housing staff will work with the developer to ensure that all necessary items are addressed and reserves will be funded at a sufficient level to cover the costs of necessary upgrades and improvements forecasted in future years.

The primary source of funding is a tax-exempt first mortgage in the amount of \$3,200,000 of which \$2,050,000 will remain as a permanent first mortgage. The mortgage will be supported by the lower of HAP or market rents to comply with HUD risk share requirements. Additional sources include equity from the sale of 4% tax credits, deferred developer fee, BHRI funds, income from operations, and an AHP grant from the Federal Home Loan Bank of Boston.

This RFA requests preliminary approval for a tax exempt mortgage of up to \$3,200,000.

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 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:

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Mortgage</u>
Braeburn Apartments	Dimeo Properties, Inc.	\$3,200,000

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

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 declares preliminary approval for tax exempt mortgage financing in an amount

not to exceed \$3,200,000.00 to Dimeo Properties, Inc. or an affiliated entity (the “Borrower”) for rental housing known as Braeburn Apartments located in Providence, 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 \$3,200,000 in permanent mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

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

- Acceptable final appraisal by an independent appraiser demonstrating that the new first mortgage does not exceed 90% of the as-stabilized value of the property.
- Approval by Rhode Island Housing of all members of the development team.
- Final approval of BHRI and FHLB AHP funds in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to Rhode Island Housing.
- Syndication equity from the sale of Housing Tax Credits in amounts sufficient to insure development feasibility.
- Approval by Rhode Island Housing of construction plans and specifications and construction documentation.
- Approval of the operating budget.
- FHA Risk-Sharing approval for 50% of the permanent First Mortgage.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue
- Satisfactory and timely performance in accordance with the schedule established by Rhode Island Housing staff and sponsor.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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

Firm Approval of Financing for Constitution Hill Neighborhood Stabilization

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is for firm approval of a tax-exempt construction loan and taxable first mortgage permanent financing to rehabilitate and preserve 44 existing affordable apartments and create 19 new affordable apartments in Woonsocket, RI.

NeighborWorks Blackstone River Valley (“NBRV”), a non-profit housing developer based in Woonsocket, proposes to refinance and preserve Reclaiming the Vision, L.P. (“RTV”), an existing tax credit development, and renovate 4 additional existing buildings to create 19 new apartments. The new single asset entity will be known as Constitution Hill Neighborhood Stabilization (“CHNS” or the “Development”). The resulting Development will consist of 63 homes located in 17 buildings in the vicinity of downtown Woonsocket.

CHNS is a mixed-use, mixed-finance Development that combines preservation and new affordable housing production with the creation of new commercial space. The commercial portion of the Development is designed to support new entrepreneurial opportunities which will enhance the downtown district.

RTV, originally financed by Rhode Island Housing in 1998 and consisting of 44 apartments in 13 buildings, has reached the end of the initial tax credit compliance period. The buildings have generally been well maintained; however after 15 years some moderate rehabilitation is required. NBRV undertook a detailed review of the properties and has developed an \$850,000 rehabilitation scope of work. Interior scope includes, as needed, upgrades to kitchens, baths and floors, boilers and water heater replacements. Exterior work includes re-shingling 5 roofs, trim and siding repair, repainting of several buildings, replacing exterior lighting, and paving, and drainage improvements.

The remaining 19 new apartments are located in four separate properties at 120 South Street, 63 Hope Street, 5 John Street and 40 South Main Street. 120 South Street will provide 3 apartments and 63 Hope Street, 2 apartments. Construction is completed and units are occupied at 120 South Street and 63 Hope Street using previously committed Rhode Island Housing HOME, Neighborhood Stabilization Program (“NSP”) funds and other sources. Because the majority of costs associated with 63 Hope Street were spent more than a year ago, the project is not eligible for bond financing or inclusion in the tax credit basis.

Construction is also underway at 5 John Street using NBRV sources of funding. This property will provide 8 one-bedroom apartments for disabled adults. All of the apartments will receive rental subsidy through a 20-year Housing Assistance Payment contract. All exterior siding, roofing, windows and doors are completed and interior plumbing and electrical work is in progress. NBRV will partner with the Seven Hills Foundation to identify residents for this property as well as provide on-going supportive services to the residents.

40 South Main Street, also known as the Mulvey Building, is the most unique property in the project. It is located at the corner of Main Street and Market-Square in downtown Woonsocket. This three-story building will be substantially renovated and the site will be redesigned to accommodate parking. The historic façade will be restored and all asbestos and lead will be abated. When completed, the building will provide six loft-style affordable apartments on the upper floors. The first floor will contain new commercial space for a farmers market, a

commercial kitchen for micro-business development and function space for the adjacent Museum of Work and Culture. The site is adjacent to the Blackstone River Canoe launch and the City of Woonsocket’s Ice Rink and River Island Park. Permits are issued and work will commence upon closing.

CHNS received preliminary approval in May 2013. While the overall concept of the Development has not been modified, there have been a few noteworthy changes since initial approval. NBRV had initial HUD 811 closing, assuring that those funds are available to CHNS. Both a market study and appraisal were completed. The As-Is appraised value of RTV was less than originally anticipated, which reduces the maximum permitted acquisition amount that can be financed under our underwriting guidelines to \$3 million, which is less than the total debt owed to various lenders on RTV. The total acquisition cost for all of the properties in the Development, including the additional four properties, is approximately \$4.5m. It is anticipated that all Rhode Island Housing funded debt will be repaid or refinanced but some subordinate debt funded by others may be extinguished.

Funding sources from the City of Woonsocket HOME program and the Office of Community Service for the build-out of the commercial space included in the preliminary approval are no longer available. They have been replaced by additional funding from NeighborWorks America and sponsor equity. In addition, the total construction budget has increased by more than \$1 million. Most of the cost increase is associated with 5 John Street and 40 South Main Street which were put out to bid. NBRV has contracted with Nationwide for the construction of the 19 new units. In order to hedge against additional construction cost increases, NBRV has proposed acting as the Construction Manager for the moderate rehabilitation of the RTV buildings. Rhode Island Housing will require that NRBV execute a standard AIA maximum price contract with the partnership and provide a construction completion guaranty.

The residential portion of this development will provide 16 one-bedroom, 20 two-bedroom, 16 three-bedroom and 11 four-bedroom apartments. The following grid illustrates both the units broken down by bedroom size at each property the amount of construction costs budgeted by property and the estimated timetable to completion:

	Total Units	RTV	120 South St.	5 John St.	40 South Main	63 Hope St.
1 Bed	16	1	1	8	6	
2 Bed	21	20	1			
3 Bed	15	12	1			2
4 Bed	11	11				
Total	63	44	3	8	6	2

Total

Construction	\$5,906,993	\$ 846,500	\$ 542,000	\$1,247,824	\$ 3,270,669	N/A
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Period to Complete	16 Months	16 Months	Complete	9 Months	16 Months	Complete
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The Development should be very marketable. Due to foreclosures in northern Rhode Island and the resulting tenant displacement, demand for NBRV's rental units is strong. NBRV's portfolio of 153 apartments has a 2-year waitlist. The existing and new homes in the Development offer easy access to businesses along the Main Street commercial corridor. The Development is within one-quarter mile of a RIPTA bus stop and Routes 146A and 104. Both are main access roads that lead into and out of the city and provide shopping, employment, and business opportunities.

CHNS residents will be offered several supportive services as part of their tenancy. NBRV has arranged for a variety of programs through partnerships with local agencies and staff resources dedicated to enhancing quality of life for their tenants. Education, job training, financial literacy and youth programs will be offered to residents through partnerships with Family Resource Community Action ("FRCA"), Connecting for Children and Families ("CCF") and with assistance from NBRV staff offering trainings, one-on-one assistance and youth summer programs for children ages 4-17.

In order to access the maximum amount of grants, tax credit equity and subsidy, NBRV has proposed an ambitious financing plan to cover all of the development costs. As part of the acquisition of RTV, the first mortgage will be repaid in full but the remaining debt, which consists of a Rhode Island Housing Targeted Loan and several HOME, Lead Hazard Control and general partner loans, will be rolled over and assumed by the new ownership entity or written off.

Bank of America ("BOA") is the equity provider for the Development. One of BOA's conditions to provide equity is that it be the interim construction lender. In order to meet this requirement, while preserving the eligibility of the Development for housing tax credits, both Rhode Island Housing and BOA will be involved in providing construction financing. BOA will make the initial construction loan that will finance the first 9-10 months of construction. Thereafter, Rhode Island Housing will issue tax-exempt bonds. A portion of the bonds will be used to retire the interim BOA loan and the balance will be used to finance the remaining construction costs. There will be an Intercreditor Agreement outlining the timing of each of the construction loans. The Rhode Island Housing construction loan will be retired at construction completion with the proceeds of the first mortgage, syndication proceeds, Section 811 loan and Building Homes Rhode Island ("BHRI") funds. Bank of America has committed to purchase the credits at \$.98.

In conjunction with Navigant Credit Union ("Navigant"), NBRV received an award of a below market advance (the "Subsidized Advance") from the Federal Home Loan Bank of Boston ("FHLBB") under its Affordable Housing Program ("AHP"). The AHP Subsidized Advance allows Navigant to lower the interest rate to maximize the size of the first mortgage. Because of the tax credit 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 Navigant previously, the AHP Subsidized Advance will be loaned from Navigant to Rhode Island Housing, which will in turn use the AHP Subsidized Advance to fund the permanent 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 larger mortgage at a reduced interest rate. The loan from Navigant 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 to be repaid at construction completion and the AHP Subsidized Advance structure outlined above the other primary sources of financing include (i) equity from the sale of 4% housing tax credits, (ii) Rhode Island Housing HOME funds, (iii) assumption of RTV existing debt from Rhode Island Housing, the City of Woonsocket and the current general partner by the new ownership entity, (iv) existing reserves, (v) a BHRI award, (vi) Neighborhood Stabilization Program funds, (vii) an AHP direct grant from the FHLBB, (viii) a NeighborWorks America grant, (ix) deferred developer fee and (x) Sponsor equity.

This Request for Action is for firm approval of tax-exempt construction financing in the amount of \$7,400,000 and a permanent taxable first mortgage of \$650,000.

Christian Caldarone was present to address questions presented by the Commissioners.

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 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:

Development	Applicant	Tax Exempt Loan	Permanent Loan
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Constitution Hill Neighborhood Stabilization	NeighborWorks Blackstone River Valley	\$7,400,000	\$650,000

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 approves a construction loan to be financed by tax-exempt bonds in amount up to \$7,400,000 to NeighborWorks Blackstone River Valley, or an affiliated partnership (the “Borrower”) for rental housing located in Woonsocket, Rhode Island; and

Resolved, Rhode Island Housing hereby declares that 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 \$7,400,000 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; and

Resolved, That, subject to the special conditions listed below, the Rhode Island Housing hereby approves financing for a taxable first mortgage loan to NeighborWorks Blackstone River Valley or an affiliated partnership (the “Borrower”) in an amount not to exceed \$650,000 (the “Loan”) for family housing located in Woonsocket, Rhode Island; and

Resolved, That, in order to fund Rhode Island Housing’s loan to the Borrower, Rhode Island Housing may enter into a \$650,000.00 loan arrangement (the “Loan”) with Navigant Credit Union (“Navigant”) substantially in accordance with the terms outlined in this Board Action; and

Resolved, That Rhode Island Housing may secure the Loan by granting to Navigant 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 the Borrower; and

Resolved, That the 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 Navigant as Navigant 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:

- Provision of an updated letter of commitment from Bank of America for the transaction demonstrating syndication proceeds from 4% Housing Tax Credits in an amount sufficient to assure project feasibility.
- Provision of an updated term sheet for the BOA construction loan.
- Provision of HOME, BHRI, NWA and sponsor equity funds in amounts sufficient to assure project feasibility.
- Final agreement between Navigant Credit Union, NRBV and Rhode Island Housing as to a mortgage pass-through structure that will allow Rhode Island Housing to be the first mortgage lender of record
- Provision of an architect contract that ensures supervision of the construction process at the RTV properties.
- Final approval by HUD and Rhode Island Housing of the new operating budget segregating the HUD 811 operating budget from the other units.
- Approval by Rhode Island Housing of final construction plans and specifications, and construction documentation.
- Approval by Rhode Island Housing of the debt disposition proposal that will determine which debt instruments are to be written off, paid off or deferred.
- Affirmation from City of Woonsocket granting 8% taxes on annual gross potential rent.
- Execution of an Intercreditor Agreement with Construction Lender
- Approval by Rhode Island Housing of management documents and all management related issues.
- Approval by bond underwriter and bond counsel that the loan will satisfy all required bond provisions for the bond issue.
- Approval of the condominium documents for 40 South Main Street.
- 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 Izannah Walker Homes

Mr. Godfrey presented this item.

This Request for Action (“RFA”) is for approval of the transfer of limited partner interests for Izannah Walker.

Izannah Walker (the “Development”) is an affordable housing development located in Central Falls. The Development contains 25 apartments consisting of 4 one-bedroom, 4 two-bedroom, 12 three-bedroom and 5 four-bedroom apartments. Izannah Walker was originally financed in 1998 utilizing Housing Tax Credits, Rhode Island Housing 1st mortgage, a Deferred Payment Loan, and HOME funds.

The owner of the Development is Izannah Walker Homes, LP. The general partner is Realty Endeavors for Affordable Housing (“REACH”). The current limited partner is the National Equity Fund (“NEF”). The initial compliance period for the Development expired in 2013 and NEF has requested to exit the limited partnership. As part of agreeing to NEF’s exit from the partnership, Rhode Island Housing is requiring that NEF make a capital contribution of \$30,000 to the Development to assist with existing capital needs and operating deficiencies. This RFA is for approval of the transfer of the interests of NEF to REACH or an affiliated entity.

For the past 12 months, REACH has been engaged with Pawtucket Citizens Development Corporation (“PCDC”) on a potential merger of the two organizations. Board members from both organizations have been actively engaged with Rhode Island Housing and a consulting team to assess the financial condition, assets and staffing needs of the merged entity. As part of these discussions, it has been determined that REACH’s assets will be merged into the portfolio of PCDC. Upon successful transfer of properties and assets, the REACH organization will dissolve.

In order to determine the overall physical condition of the REACH portfolio which consists of 110 apartments in multiple partnerships including the Izannah Walker partnership, Rhode Island Housing commissioned a Capital Needs Assessment of the portfolio. The Capital Needs Assessment in conjunction with the reports from the merger consultant has helped to inform the merger committee in making decisions on the rehabilitation needs of the current portfolio and disposition process. Staff anticipates the merger to occur in July. While Rhode Island Housing expects that it will need to extinguish some of its existing debt on some portion of the REACH properties, it has previously established reserves for these losses. Rhode Island Housing is working closely with the City of Central Falls and PCDC to provide the best strategy for all parties.

Staff has reviewed the transfer 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 negotiated a capital investment from NEF to ensure the Development has adequate reserves on hand to meet anticipated future maintenance needs.

The attached resolution approving the transfer of limited partner interests, subject to the conditions contained therein, is recommended for approval.

Upon a motion made by Commissioner McAllister and seconded by Commissioner DeRentis 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 Izannah Walker Homes, LP by the National Equity Fund to Community Apartments for Tenants, Inc., 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. A capital contribution by the National Equity Fund in the amount of \$30,000 to ensure the capitalization of adequate reserves for the Development.
3. 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.

Approval of Designation of Developer for Advent Apartments

Mr. Godfrey gave this presentation.

This Request for Action is for approval to designate a developer for the acquisition and rehabilitation of Advent Apartments.

Advent Apartments (the “Development”) is a low income housing tax credit property located at 336 Washington Street in Providence. The Development was originally financed by Rhode Island Housing in 1997. The Development currently provides fifty-seven (57) efficiency apartments and was previously owned by a single-purpose limited partnership known as Mohican Limited Partnership (the “LP”). Advent House, Inc. (“Advent, Inc.”), a Rhode Island non-profit corporation, was the original developer/sponsor of the Development. Enterprise Social Investment Corporation (“ESIC”) was the limited partner for the LP. In 2009, the Board of Commissioners approved the transfer of the original general partner interest from Advent, Inc. to the Rhode Island Housing Development Corporation (the “Development Corporation”).

Over several years the Development experienced a number of physical and financial challenges. Over the years, for a variety of reasons but primarily as a result of federal rental subsidies that are too low, income has been insufficient to pay debt service and to effectively operate the

development. As a result, the property suffered from physical deterioration and became increasingly financially unstable, prompting the transfer of the GP interest in 2009.

As part of the 2009 transfer agreement, ESIC contributed \$440,000 in equity to the partnership to address both the physical and financial challenges at the Development. In return for this contribution, Rhode Island Housing agreed to allow the firm to exit the partnership. The Development has used substantially all of the contribution for capital improvements and operating deficits. The Development Corporation has engaged Crossroads Rhode Island to provide property management services for the Development since 2009.

The Development consists of one 3 story building consisting of 57 efficiency apartments, community space, and 3 offices and limited on-site parking. Rental assistance is provided under a McKinney Vento Moderate Rehabilitation Section 8 Contract administered by the Providence Housing Authority. The Development provides critical housing opportunities for disabled and homeless individuals. The Development was originally designed to provide permanent service enriched housing to promote tenant stability and self-sufficiency. Crossroads has stabilized the property but there are still on-going operating deficiencies, significant rehabilitation needs and security issues.

In December 2013, Rhode Island Housing issued a Request for Proposals (“RFP”) for the acquisition and rehabilitation of Advent Apartments. The evaluative factors in the RFP included:

- The developer’s experience, commitment and financial capacity to undertake the redevelopment of the Development;
- Strong and effective property management track record;
- The developer’s prior effective working relationship with Rhode Island Housing and other community partners; and
- The development team’s past experience owning and managing housing for special needs households;

Rhode Island Housing received three responses from the following entities: Women’s Development Corporation; Crossroads Rhode Island; and Omni Development Corporation. The three agencies made presentations to a committee of senior staff from the Loan Servicing, Development, Finance and Resident Services Divisions. The committee analyzed each developer’s proposal against the evaluation criteria in the RFP. All three proposals include significant additional public investment.

The Women’s Development Corporation (“WDC”) proposal appears to be the strongest from both financial and programmatic perspectives. The greatest strength of the proposal was in WDC’s partnership with Riverwood Mental Health Services (“RMHS”). RMHS will relocate its Housing First RI offices to the Development. This will provide on-site staffing for services seven days per week. This on site staffing will provide critical services for the residents that live at the Development and was a major factor that differentiated the WDC proposal from the other submissions. It will also assist in operating income.

The WDC proposal included a preliminary financing proposal utilizing tax exempt financing and 4% housing tax credits, Providence HOME and CDBG funding, a grant from the Federal Home Loan Bank of Boston and a deferral of existing debt. Staff will work with WDC in the development of a sound financing plan which will address all critical capital needs and that will ensure the viability of the Development in the future.

The final financing plan will be brought to the Board at a future date but at this point staff is recommending that the Board approve the attached resolution designating WDC as the development entity for the acquisition and rehabilitation of Advent Apartments, subject to the following conditions:

- The developer's satisfaction, in the sole judgment of Rhode Island Housing, of all terms and conditions set forth in the RFP.
- Approval by Rhode Island Housing of a long term lease between WDC and RMHS to locate its Housing First RI offices at the Development and to provide services for residents.
- Rhode Island Housing approval of all development team members.
- Rhode Island Housing approval of the construction budget, scope of work, and construction contractor.
- Rhode Island Housing approval of the financing and operating budget for the development.
- WDC agrees to assume all financial and programmatic obligations from prior loans and grants made to the Development.

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 issued a Request for Proposals (RFP) seeking a developer to acquire and redevelop Advent Apartments; and

WHEREAS, Rhode Island Housing received three proposals in response to the RFP; and

WHEREAS, staff has completed a thorough evaluation of the three proposals submitted for the redevelopment; and

WHEREAS, a senior staff committee has determined that Women's Development Corporation submitted the most responsive proposal that best meets the criteria established in the RFP and that will best serve the needs of the residents.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED, That Rhode Island Housing does hereby approve Women’s Development Corporation as the designated development entity for the re-development of Advent Apartments.

RESOLVED, That the foregoing resolution is subject to the following conditions:

- The developer’s satisfaction, in the sole judgment of Rhode Island Housing, of all terms and conditions set forth in the RFP.
- Approval by Rhode Island Housing of a long term lease between WDC and RMHS to provide services for residents of the Development.
- Rhode Island Housing approval of all development team members.
- Rhode Island Housing approval of the construction budget, scope of work, and construction contractor.
- Rhode Island Housing approval of the financing and operating budget for the development.
- WDC agrees to assume all financial and programmatic obligations from prior loans and grants made to the Development.

RESOLVED, That Rhode Island Housing retains the authority to seek and select another developer if it determines, in its sole and absolute discretion, that Women’s Development Corporation is unable to meet the terms and conditions of Rhode Island Housing’s approval of the designation contained herein.

RESOLVED, That the Executive Director and the Director of Development be, and each hereby is, authorized to take any and all actions, including specifically the authority to execute a development agreement, as well as any and all documents, instruments and other agreements and to take such further actions as he or she deems necessary to carry out the above resolution.

Approval of FY 2015 Budget

Mr. Godfrey presented this request.

A meeting of the Management and Budget Committee was held on May 21, 2014. At that time staff made a presentation to the committee and engaged in discussions. At the end of the meeting the committee unanimously recommended approval of the staff proposal to the full Board of Commissioners subject to:

- Additional supporting information on the proposed salary increases, especially in comparison to state employee salary increases; and
- Additional context for the operating budget.

Staff prepared a Financial and Operating Overview that shows the operating budget in the light of our overall financial position, including:

- assets of \$2.2 billion,
- net financial position of \$292 million; and
- net 2013 investments of \$367 million.

The Overview also outlines the full range of programs by funding source. This presentation will serve as the foundation of a document that can be used as a public information tool to promote better understanding of the scope and scale of activities at Rhode Island Housing.

Following receipt of the detailed agenda materials, Commissioner McGreevy asked for additional information about the sustainability of the revenue projections especially as it relates to additional hiring. Management believes that the revenue projections for FY 2015 are conservative and that similar trends will continue beyond FY 2015 but will provide additional information on the sustainability of future revenues to the Management and Budget Committee at its next meeting. All Board members are welcome to attend that meeting.

Commissioner Costantino expressed an opinion that the Rhode Island Housing salary increases should match those for state employees and recommended that the increase be allocated in increments of 2 percent retroactive to April in July and another 2% in October.

After further discussion, Chairman Cortés requested that the budget be adjusted to reflect a 4% increase in the salary budget line of the FY15 Budget to reflect an amount equal to increases for state employees. The Chair then called for a motion on the amended budget line.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner DeRentis the FY 2015 salary budget line was amended to reflect a 4 percent staff salary increase.

Chairman Cortés then asked for a vote to approve the complete FY15 Budget as presented at the meeting.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner DeRentis the following resolution was unanimously adopted along with the FY 2015 Budget which is attached as part of the June 19, 2014 board package.

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

Resolved: That the Proposed Budget Fiscal Year 2015 Budget of Rhode Island Housing as set forth in attachment D, with the amendment to the salary line item to reflect a 4% increase, is hereby approved.

Chairman Cortés then offered a brief overview of the meeting of the Management and Budget Committee on May 21, 2014 and noted that the recommendations of the Committee were incorporated into the proposed fiscal year 2015 budget.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner McAllister, the minutes of the Management and Budget Committee meeting held on May 21, 2014 was unanimously approved.

Convening of the Rhode Island Housing Development Corporation

Chairman Cortés recessed the open meeting at approximately 10:00 a.m. at which point a meeting of the Rhode Island Housing Development Corporation was convened.

At approximately 10:04 a.m. the meeting of the Rhode Island Housing Development Corporation was adjourned and the Rhode Island Housing Board meeting was reconvened.

There being no further business to discuss, a motion was duly made by Commissioner DeRentis and seconded by Commissioner McAllister to adjourn the open meeting at approximately at 10:05 a.m.

Respectfully submitted,

Richard Godfrey
Secretary and Executive Director