

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

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, September 18, 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 (arrived at 8:37); Steven Hartford, Director of Business Administration; Andrew Roos designee for General Treasurer Gina Raimondo (arrived at 8:35); James DeRentis; and Stephen P. McAllister. Joe Monteiro was absent.

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

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 August 28, 2014**

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

VOTED: That the Minutes of the Board Meeting held on August 28, 2014 be and hereby are approved.

**Chairman's Report**

Chairman Cortés greeted everyone and took a moment to acknowledge former Commissioner Steven Costantino's service and contributions to Rhode Island Housing.

Chairman Cortés then introduced and welcomed Steven Hartford, newly appointed Director of Department of Administration, to the Rhode Island Housing Board of Commissioners.

**Committee Reports**

There were no committee meetings held in August.

## **Executive Director's Review of Recent Activities and Trends**

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

Mr. Godfrey reminded the Board that the annual meeting of the National Council of State Housing Agencies (NCSHA) is being held in Boston from October 18-21. It is an excellent opportunity for staff and Board to attend sessions relevant to the work of HFAs.

Mr. Godfrey also invited the Commissioners to attend HousingWorks' RI 10th annual Housing Fact Book luncheon on Friday, October 3. The Fact Book contains historical information on housing costs, household income, and the economic impact to the state from high household housing cost burdens over the last decade.

Commissioner Roos arrived at this point of the meeting at approximately 8:35 a.m.

Mr. Godfrey announced that following the Board meeting the Audit Committee would have an exit meeting with the Agency's external auditors to discuss the results of the FY 2014 Audit and Financial Statements. Final statements will be delivered to the state Auditor General and other officials on or before September 30, 2014.

The year-end results were positive, with a net gain in fund value of \$5.6 million. However, Mr. Godfrey noted that this amount includes approximately \$700,000 in gain due to changes in value of Rhode Island Housing investments. In addition, this number does not reflect the Board's commitment of \$1.3 million in FY 2014 funding to NOP funding that will be disbursed in FY 2015. With these adjustments, the true gain is approximately \$3.6 million.

Single-family loan originations are well ahead of projections. Loan production in August and September are about double the production during the same months in 2013.

Commissioner McGreevy arrived at this point of the meeting at approximately 8:37 a.m.

Chairman Cortés extended his compliments to Mr. Godfrey and staff on achieving such a notable turnaround in revenues in a short period.

## **Firm Approval of Financing for Charlesgate East Apartments**

Mr. Godfrey gave this presentation.

This Request for Action ("RFA") is for firm 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"). The Development received Preliminary Approval of Financing at the May 15, 2014 Board meeting.

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 Development is now at the end of its initial tax credit compliance period. 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, Charlesgate East Apartments Limited Partnership, has been formed to purchase the property from the current owner. 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. Proposed capital improvements include new roofing, upgraded kitchens and baths in all apartments and upgraded elevator equipment. Current pricing is based on estimates developed by the architect and the owner. The Developer will be selecting a qualified contractor to perform the work in the coming weeks. Rhode Island Housing staff has worked with the Developer to prioritize upgrades and ensure consistency with existing capital needs. Based on Rhode Island Housing’s review, the current budget is consistent with contracts on similar developments with similar scopes of work.

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 is being underwritten to the HAP rents, which were determined by an independent appraisal commissioned by Rhode Island Housing to be below market rents after completion of improvements, 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 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. The appraisal confirms that the new first mortgage does not exceed 90% of the stabilized as-improved value of the property. 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.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner Roos, 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 firm 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 firm 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:

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

### **Firm Approval of Financing for Charlesgate Park Apartments**

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for a firm commitment of tax-exempt financing for Charlesgate Park Apartments (“the Development”), an existing 100 unit elderly development in Providence. The developer is Davenport Associates, Ltd. (“Davenport” or the “Developer”). The Development received Preliminary Approval of Financing at the May 15, 2014 Board meeting.

Charlesgate Park Apartments is located at 359 Montgomery Avenue 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 1978. The site was refinanced in 1997 using 9% housing tax credits. The initial compliance period ended in 2012 and the Developer is seeking to refinance in order to take out the original investor limited partner and to rehabilitate 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 in June 2008, and the development recently received a rent increase approval effective July 1, 2014.

The proposed transaction consists of the acquisition and moderate rehabilitation of the Development. Davenport Associates, Ltd. is the general partner of Charlesgate Park Affordable Housing Partners, L.P., (the current owner) and is responsible for the day-to-day operations of the development. A new limited partnership, Charlesgate Park Apartments Limited Partnership, has been formed to purchase the property from the current owner. 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. Proposed capital improvements include new roofing, upgraded kitchens and baths in all apartments, and upgraded elevator equipment. Current pricing is based on estimates developed by the architect and the owner. The Developer will be selecting a qualified contractor to perform the work in the coming weeks. Rhode Island Housing staff has worked with the Developer to prioritize upgrades and ensure consistency with existing capital needs. Based on Rhode Island Housing’s review, the current budget is consistent with contracts on similar developments with similar scopes of work.

In addition to the revenue from the rental apartments, Charlesgate Park also receives revenue from three cell antenna leases (the “Antennae Lease Income”) associated with the building. The leases have been automatically renewed every 5 years since they were installed on the property in 2003. Recently, one 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 \$66,000 per year. Recognizing that technology can change quickly and there is risk associated with capitalizing debt using the Antennae Lease Income, Rhode Island Housing is discounting this income by 20% for underwriting purposes.

The Developer seeks a tax-exempt construction loan of \$6,000,000. Upon completion of construction, a portion of the tax-exempt first mortgage will be repaid with syndication proceeds. The balance of the loan will convert to permanent financing. The mortgage is being underwritten to the HAP rents, which were determined by an independent appraisal commissioned by Rhode Island Housing to be below market rents, plus the discounted Antennae Lease Income.

There is an Affordable Housing Trust (“AHT”) Note that was placed on the property in 1997 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 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 expected syndication proceeds and 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. The appraisal confirms that the new first mortgage does not exceed 90% of the stabilized as-improved value of the property. 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.

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**

**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 Park 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 firm 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 Park Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

**Resolved:** That Rhode Island Housing hereby declares that the firm 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:

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

### **Firm Approval of Financing for Charlesgate South Apartments**

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is for firm commitment of tax-exempt financing for Charlesgate South Apartments (“the Development”), an existing 100 unit elderly development in Providence. The developer is Davenport Associates, Ltd. (“Davenport” or the “Developer”). The Development received Preliminary Approval of Financing at the August 21, 2014 Board Meeting.

Charlesgate South Apartments is located at 20 Randall Street in Providence. The Development consists of eighty-nine (89) one bedroom and eleven (11) 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 and is now at the end of its initial tax credit compliance period. The Developer has requested new financing in order to take out the original investor limited partner and to undertake rehabilitation of the building.

Since inception, Section 8 rental assistance has been provided for all 100 apartments through a Housing Assistance Payments (“HAP”) contract. A new 20-year HAP contract was executed on December 29, 2011, with an effective date of January 1, 2012. Simultaneous with this transaction, the Developer will also refinance two other developments known as Charlesgate East and Charlesgate Park, both of which received firm approval earlier this spring.

The proposed transaction consists of the acquisition and moderate rehabilitation of the Development. Davenport Associates, Ltd. is the general partner of Charlesgate South Affordable Housing Partners, L.P. (the current owner), and is responsible for the day-to-day operations of the Development. A new limited partnership, Charlesgate South Apartments

Limited Partnership, has been 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. Proposed capital improvements include new boilers, upgraded kitchens and baths in all apartments and upgraded elevator equipment. Current pricing is based on estimates developed by the architect and the owner. The Developer will be selecting a qualified contractor to perform the work in the coming weeks. Rhode Island Housing staff has worked with the Developer to prioritize upgrades and ensure consistency with existing capital needs. Based on Rhode Island Housing's review, the current budget is consistent with contracts on similar developments with similar scopes of work.

The Developer seeks a tax-exempt loan of \$5,200,000. Upon completion of construction, a portion of the tax-exempt first mortgage will be repaid with syndication proceeds. The balance of the construction loan will convert to permanent financing. The mortgage is being underwritten to the HAP rents, which were determined by an independent appraisal commissioned by Rhode Island Housing to be below market rents after completion of improvements

There is an Affordable Housing Trust ("AHT") Note that was placed on the property in 1995 when the Development was initially preserved in 1995. 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 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 AHT 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 \$5,200,000 and syndication equity from the sale of 4% housing tax credits. Other sources include existing reserves, a purchase note from the seller, deferred developer fee, and the new partnership's assumption of the existing AHT Note. The permanent mortgage will be insured through FHA's Risk Share Program.

Upon a motion made by Commissioner McAllister and seconded by Commissioner Roos, 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 (35) 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 South Apartments	Davenport Associates, Ltd.	\$5,200,000

**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 firm approval for tax-exempt mortgage financing to a limited partnership to be formed by Davenport Associates, Ltd., in an amount not to exceed \$5,200,000 for rental housing known as Charlesgate South Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt bonds;

**Resolved:** That Rhode Island Housing hereby declares that the firm 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 \$5,200,000 loan plus the required bond reserve funds and the related costs of issuance for the bond issue for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

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

- Approval by Rhode Island Housing of all members of the development team.
- Syndication proceeds 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, Deputy Director, or the Director of Development, each acting singly, shall take any and all action they deem necessary to carry out the foregoing resolutions.

**Approval of Reservation of 2014 Tax Credits and Preliminary Commitment of Financing for Dean Street Apartments**

Mr. Godfrey and Chairman Cortés did not participate in the consideration or voting on this on this request.

Mr. Godfrey noted that his wife is the Executive Director of SWAP, one of the applicants for funding. In accordance with an Advisory Opinion from the Ethics Commission, he did not participate in the review and recommendation of the 2014 Tax Credit proposals. Commissioner McAllister represented the Board during the review of the proposals. Commissioner McAllister noted that he was impressed with the process and actually absorbed quite a bit about the allocation of tax credits.

Chairman Cortés recused from the discussion or vote of this matter due to his position at Building Futures, which is a business associate of Olneyville Housing Corporation, one of the applicants for financing.

Carol Ventura, Director of Development, gave this presentation.

This Request for Action (“RFA”) is for reservation of \$472,687 of 2014 Housing Tax Credits (HTCs) and preliminary commitment of a Deferred Payment Loan for Dean Street Apartments (the “Development”), a fifty-one unit supportive housing development in Providence, Rhode Island. The developer is a partnership between Women’s Development Corporation (“WDC”) and Riverwood Mental Health Services (“RMHS”), (collectively, the “Developer”).

Currently known as Advent Apartments (“Advent”), the Development is a housing tax credit property located at 336 Washington Street in Providence. Advent was originally financed by Rhode Island Housing in 1997. Advent provides fifty-seven (57) efficiency apartments and was financed under the McKinney Vento Section 8 Moderate Rehabilitation Single Room Occupancy program and with Housing Tax Credits.

Advent was 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.

Beginning soon after it was financed in 1997, Advent experienced a number of physical and financial challenges. For a variety of reasons, most significantly federal rental subsidies that were too low, income has long 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. In 2009, the Board approved the transfer of the original general partner interest from Advent, Inc. to the Rhode Island Housing Development Corporation (the “Development Corporation”). ESIC transferred its limited partner interest to

the Development Corporation at the beginning of 2013. The Development Corporation thereafter engaged Crossroads Rhode Island to provide property management services and they were able to stabilize the site. On September 1, 2014, the management responsibilities were transferred to Women's Development Corporation.

Earlier this year Rhode Island Housing issued a Request for Proposals ("RFP") from sponsors interested in acquiring and redeveloping Advent. As the result of process, the Board designated WDC and RMHS as the developer of Advent. On September 1, 2014, the management responsibility for Advent was transferred to Housing Opportunities Corporation, an affiliate of WDC.

Advent consists of one 3-story building containing 57 efficiency apartments, community space, 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. Advent provides critical housing for disabled and formerly homeless individuals. Advent was originally designed to provide permanent, service-enriched housing to promote resident stability and self-sufficiency. While the property has been stabilized since the Development Corporation assumed ownership, there are still on-going operating deficiencies, significant rehabilitation needs and security issues.

As part of the Developer's proposal, RMHS will relocate its Housing First RI offices to the Development. The overall unit count in the building will be reduced to 51 apartments to accommodate the Housing First RI offices. However, we anticipate that the loss of units will be offset by the benefits of having RMHS staff at the site. One of the primary operating issues currently affecting the site is the cost of security and lack of full-time, on-site services. The delivery of full time supportive services at the site proposed by RMHS will reduce reliance upon security details and will ensure that residents have access to full time support from RMHS staff. The reduced need for security should reduce operating expenses and lead to a sustainable financial plan.

Relocation of the Housing First RI offices 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 will help to stabilize the building. Housing First RI is part of a national program model designed to couple permanent supportive housing with a variety of services including psychiatric, substance abuse, medical, vocational and social in a holistic approach. Housing First RI has a staff of 21 comprised of 3 nurses, 2 doctors, 8 case managers and 7 others in a variety of roles. The goal of the Housing First RI model is to break the cycle of homelessness with the provision of wrap-around services. Placing the Housing First RI offices in Dean Street Studios will improve the delivery of supportive services to the residents of the building and will help to mitigate the security issues that have affected the site for many years.

A Capital Needs Assessment ("CNA") was commissioned to assist in the development of the proposed rehabilitation of the property. In addition to the retrofit to create offices for RMHS, the current scope of work includes structural repairs identified in the CNA, roof replacement, HVAC improvements, exterior repairs including brick re-pointing and façade improvements, upgrades to apartments and common areas, installation of security cameras and electronic door

keys. Where feasible, energy efficiency upgrades will be incorporated into the scope of work. A more detailed scope of work as well as completed plans and specifications and a firm construction budget will be required prior to firm approval.

The primary sources of financing proposed for the transaction include (i) a Rhode Island Housing Deferred Payment Loan, (ii) equity from the sale of 9% tax credits, (iii) an Affordable Housing Program (“AHP”) grant through Federal Loan Bank of Boston, (iv) Building Homes Rhode Island funding, (v) City of Providence HOME funds, (vi) city of Providence Community Development Block Grant (“CDBG”) funds, and (vii) the assumption of existing debt by the new partnership.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner Roos the following resolution was approved with five votes in favor, none opposed and one recusal by Chairman Cortés. Chairman Cortés recused and did not participate in the discussion, consideration or vote on this resolution.

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

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

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

**Whereas,** Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") has been designated the Administrator of the Program in the State of Rhode Island; and

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

**Whereas,** The Applicant has submitted an application to Rhode Island Housing for the reservation of tax credits from the tax credit authority available in the calendar year 2014 and for financing as follows:

<u>Development</u>	<u>Applicant</u>	<u>9% HTC</u>	<u>DP Loan</u>
Dean Street Apartments	Women’s Development Corp/Riverwood Mental Health Services	\$472,687	\$459,000

**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; 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 \$472,687 of allocated 2014 housing tax credits be reserved for the Applicant pursuant to Section 3 of the Rules and Regulations of Rhode Island Housing applicable to the Allocation of Housing Tax Credits (the “Rules and Regulations of the Corporation”), and that the Executive Director and any Deputy Director hereby is, authorized and empowered in the name of and on behalf of Rhode Island Housing to take any and all action necessary to cause such reservation to be effective; and further, that a final allocation shall be made at such time as the applicant complies with the requirements of the Act and the Rules and Regulations.

**Resolved,** That Rhode Island Housing hereby preliminarily approves up to \$459,000 in a Deferred Payment Loan to Women’s Development Corp/Riverwood Mental Health Services or an affiliated partnership (the “Borrower”).

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

- Approval of a Memorandum of Understanding MOU between WDC and RMHS in regards to development partnership responsibilities.
- 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.
- Approval by Rhode Island Housing of all members of the development team.
- Syndication equity from the sale of Housing Tax Credits in amounts sufficient to achieve project feasibility.
- Approval by Rhode Island Housing of the final Limited Partnership Agreement.
- Availability of city of Providence HOME and CDBG, AHP and Building Homes Rhode Island funds in amounts sufficient to achieve project feasibility or the availability of alternative equity satisfactory to Rhode Island Housing.
- Approval by Rhode Island Housing of all management related issues.
- Approval of the proposed operating budget for the development.
- Approval from the City of Providence verifying real estate tax assessment at no more than 8% of Gross Potential Income.
- Final approval by Rhode Island Housing of construction plans and specifications and construction documentation.
- Approval of a relocation plan for residents that will be displaced.
- Approval of a residents services plan for all households at the development.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.

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

**Approval of FY 2015 Program Funding for LISC Neighborhood Development Fund (NDF)**

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is to approve FY15 funding of \$240,000 for LISC for its Neighborhood Development Fund (NDF) to support Rhode Island’s community development organizations in their efforts to rebuild their neighborhoods through the creation of affordable homes for individuals and families with low or moderate incomes.

Rhode Island Housing has collaborated with Rhode Island LISC for more than 20 years. LISC is a national organization dedicated to community revitalization and has several initiatives tied to

low and moderate-income housing, public safety, childcare and community economic development. In the early 1990's, Rhode Island Housing was instrumental in helping to create a Rhode Island LISC office and have worked together to rebuild many hard hit Rhode Island neighborhoods with our joint support for Community Development Corporations (CDC's). One of the great advantages of collaborating with LISC is that our funds are made more effective through pooling with the contributions from many private companies and philanthropic organizations.

LISC's NDF program is a primary program of direct assistance to CDC's, many of which rely on this financial support for continued operation. This need is especially acute as other funding sources are diminished.

Jeanne Cola, Executive Director of LISC was present to address questions from the Commissioners. Ms. Cola stressed how critical the approval of these funds is in order to access additional funds from the Rhode Island Foundation and HUD. This program supports the creation of vibrant and healthy neighborhoods.

Upon a motion made by Commissioner DeRentis 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,** LISC RI plays a critical role in the development of affordable homes for low and moderate income families and individuals along with comprehensive community revitalization; and

**Whereas,** LISC RI has made a funding request to Rhode Island Housing for \$240,000 for its Neighborhood Development Fund; and

**Whereas,** the legislative findings set forth in Rhode Island Housing's enabling act (R.I.G.L. §42-55-2(a)) provide that the serious shortage of safe and sanitary residential housing leads to environmental decline, depreciated value, reduced tax-paying capacity and impaired investment in the communities of the state; and

**Whereas,** Rhode Island Housing is authorized by statute to take action to encourage new housing in an orderly and sustained manner and to encourage and stimulate the construction of such housing through public financial support; and

**Whereas,** the funding request from LISC RI would support the development of neighborhood revitalization with an emphasis on affordable housing to low- and moderate-income persons and families; and

**Whereas,** Rhode Island Housing staff has reviewed the LISC RI funding request and determined that it is consistent with Rhode Island Housing's legislative purposes.

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

**Resolved,** that \$240,000 in FY15 funding for LISC RI for its Neighborhood Development Fund is hereby approved; and

**Resolved,** That the Executive Director and any Deputy Director, each acting singly, are hereby authorized and directed to take any and all actions they deem necessary and appropriate to carry out the forgoing Resolution.

**Approval of FY 2015 Program Funding for HousingWorks**

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is to approve FY15 funding of \$100,000 for HousingWorks RI at Roger Williams University to support the development of several housing affordability-related publications, and to support Rhode Island foreclosure research. This award will continue Rhode Island Housing’s commitment to HousingWorks RI at the same level as FY14.

In 2004, Rhode Island Housing created HousingWorks RI as a campaign to educate the public and the business community about a rapidly emerging economic development problem: the lack of affordable housing options for the state’s workforce. The Rhode Island Foundation and the United Way of Rhode Island joined forces with us, and what began as a public education campaign became a coalition of businesses, funders and community partners working together to raise awareness about the need for state investment in affordable homes. In the ten years since its inception, HousingWorks RI has played an instrumental role in advancing housing affordability as a public policy priority. Its incorporation into Roger Williams University will allow it to continue and expand its critical role as a respected source of information about housing affordability issues in Rhode Island.

The Rhode Island Foundation and United Way of Rhode Island have already committed to maintaining their commitment to HousingWorks RI in FY15 at the previous year’s level. Roger Williams University is also providing \$100,000 in funding to support HousingWorks RI this year.

The attached Resolution awarding FY15 funding of \$100,000 for HousingWorks RI at Roger Williams University is recommended for approval.

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,** HousingWorks RI at Roger Williams University (“HousingWorks”) plays a critical role in educating policy makers about the important role housing

affordability plays in our state's economy and the growing need for affordable homes in the state; and

**Whereas,** HousingWorks has made a funding request to Rhode Island Housing; and

**Whereas,** the legislative findings set forth in Rhode Island Housing's enabling act (R.I.G.L. §42-55-2(a)) provide that the serious shortage of safe and sanitary residential housing leads to environmental decline, depreciated value, reduced tax-paying capacity and impaired investment in the communities of the state; and

**Whereas,** Rhode Island Housing is authorized by statute to take action to encourage new housing in an orderly and sustained manner and to encourage and stimulate the construction of such housing through public financial support; and

**Whereas,** the funding request from HousingWorks would support the development of important housing affordability-related publications and research on foreclosures in Rhode Island, leading to an increase in the development of affordable housing to low- and moderate-income persons and families; and

**Whereas,** Rhode Island Housing staff has reviewed the HousingWorks funding request and determined that it is consistent with Rhode Island Housing's legislative purposes.

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

**Resolved,** that \$100,000 in FY15 funding be provided to HousingWorks RI at Roger Williams University to support the development of several housing affordability-related publications, and to support Rhode Island foreclosure research, substantially as set forth in the proposed Grant Agreement presented as Attachment A to the Request for Action, with such modifications or changes as the Executive Director determines to be in the best interests of Rhode Island Housing.

**Resolved,** That the Executive Director and any Deputy Director, each acting singly, are hereby authorized and directed to take any and all actions they deem necessary and appropriate to carry out the forgoing Resolution.

**Approval of FY 2015 Program Budget**

Chairman Cortés tabled this matter until the Management and Budget Committee convenes and has an opportunity to review the proposed Program Budget in depth.

Commissioner DeRentis took a moment to commend Rhode Island Housing on weathering one of the most difficult periods of Rhode Island's economy. He recognized the efforts of Mr. Godfrey and staff on strategically positioning new programs and creatively utilizing finances to achieve such positive results. He congratulated everyone and stated he is extremely proud to serve on Rhode Island Housing's Board.

There being no further business to discuss, a motion was duly made by Commissioner Roos and seconded by Commissioner McGreevy to adjourn the open meeting at approximately at 8:58 a.m.

Respectfully submitted,

Richard Godfrey  
Secretary and Executive Director