

-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, December 11, 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; Frederick Stolle, designee for Director of Administration; Andrew Roos designee for General Treasurer Gina Raimondo and James DeRentis and Stephen P. McAllister. Joe Monteiro was absent.

Also in attendance were: Richard Godfrey, Executive Director; Carol Ventura, 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 October 16, 2014**

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

VOTED: That the Minutes of the Board Meeting held on October 16, 2014 be and hereby are approved.

**Chair's Report**

Chairman Cortés congratulated Commissioner Roos on his appointment as Chief of Staff for Treasurer-elect Magaziner. Mr. Cortés also noted that as Chief of Staff for the Treasurer, Commissioner Ross retains his position on Rhode Island Housing' Board as Treasurer Magaziner's designee.

**Committee Reports**

There were no committee meetings held since the last Board meeting.

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

Mr. Godfrey referred the Commissioners to his written report and commented on a few topics of interest.

Mr. Godfrey remarked that the House Appropriations Committee announced that it would be introducing a “cromnibus” appropriations bill consisting of 11 long-term spending bills that fund most of the government through next September and one short-term bill funding the Department of Homeland Security (DHS). It is not yet clear when the continuing resolution for DHS would expire. Mr. Godfrey did not know what funding levels would be included for housing programs, or if the House and Senate can design a bill that can generate enough support to pass Congress and be signed by the President. The leadership in Congress continues to reiterate that they will not allow a government shutdown, even if an additional short-term continuing resolution is required. Staff is reviewing program funding needs to ensure that the Agency can continue to meet the needs of customers and business partners if a government shutdown does occur.

Rhode Island Housing has also been working with Rhode Island’s homeless provider network to prepare for the limited opening of the HCVP waitlist to the homeless. On October 29, staff met with a group of approximately a dozen homeless service providers to discuss the proposal to open up the waitlist to the homeless. With the feedback of those providers, Rhode Island Housing has refined the eligible population definition and the proposed process for opening the waitlist. On December 4, Rhode Island Housing hosted a training attended by about 30 homeless providers at which staff provided an overview of the HCVP program, who will be eligible to apply for the waitlist and the process for doing so. Mr. Godfrey anticipates that the list will open mid-January. All applications must be submitted online and staff is working with homeless providers to identify locations where the homeless can go for assistance.

Chairman Cortés took a moment to applaud the excellent work of the Executive Director and staff throughout the Agency and awarded an A+ for the work performed on the voucher program.

Upon a motion made by Commissioner Roos and seconded by Commissioner McGreevy, the Executive Director’s Report was unanimously accepted as presented.

## **Firm Approval of Commitment of Tax Credits, Deferred Affordable Payment Loan and Construction Loan for Phoenix Renaissance**

Mr. Godfrey made this presentation.

This Request for Action is for a reservation of \$857,534 of 2014 9% Housing Tax Credits (“HTCs”), firm approval of a Deferred Payment Loan (“DPL”) of up to \$611,402, a Tax Credit Assistance Program (“TCAP”) loan of \$1,234,000 and a \$5.5 Million revolving Construction Loan for Phoenix Renaissance (“the Development”), a fifty-seven unit supportive housing development in Providence, Rhode Island. The Sponsor/Developer is Omni Development Corporation (“Omni”).

Phoenix Renaissance (“Renaissance”) is a scattered site project that complements Omni’s Phoenix Apartments, a tax credit development recently completed in the same neighborhood. The development consists of 57 apartments in twelve buildings located in Providence’s West End. Three buildings with 10 apartments will be newly constructed and nine buildings with 47 apartments will undergo moderate to substantial rehabilitation. In total, there will be 26 efficiencies, nine two-bedroom, 19 three-bedroom, and three four-bedroom units. The majority of the residents to be served at Renaissance will be formerly homeless individuals and families assisted with both rental subsidies and supportive services.

Almost half of the total units in this Development consist of efficiencies located within one building at 102 Linwood Avenue. This site, originally developed by the non-profit Advent, Inc. had persistent operating challenges. In 2010, Rhode Island Housing assumed control of the development with the consent of the original owner through a deed-in-lieu of foreclosure. The building is currently owned by an affiliate of Rhode Island Housing and managed by Crossroads Rhode Island.

As part of the substantial rehabilitation of this site, Omni will convert 42 existing single room occupancy (“SRO”) apartments into 26 private efficiencies with kitchenettes and baths. Thirty-five of these SRO units currently receive rental subsidy under a McKinney Vento Moderate Rehabilitation (“HAP”) Contract and the HAP contract will be amended to provide rental assistance for the 26 apartments. The residents of 102 Linwood Avenue will be offered supportive services through the Providence Center.

Current residents of the site have been or will be relocated to other comparable apartments prior to construction. Some residents have been moved to other Omni-controlled sites that also provide Section 8 rental assistance, while others will be moved to non-subsidized units and the existing HAP contract will be “passed through” to provide rental assistance for the period of relocation. Because market rents are expected to be higher than the current contract rent, Omni’s pro forma includes a relocation budget to assist with rent during the temporary relocation. All of the residents will be offered an opportunity to move back to the renovated site. The relocation budget is also sized to include the mandatory 60 months of additional relocation assistance for those residents who chose not to move back to 102 Linwood Avenue when it is completed.

Seven buildings located on Cranston Street, Cromwell Street, Waverly Street, Updike Street and Linwood Avenue currently provide 19 two, three, and four bedroom family apartments enriched with supportive services through a Supportive Housing Program (“SHP”) contract. The properties are in moderate condition and the Developer plans to spend about \$90,000 per unit, on average, for upgrades. Most will require unit upgrades, exterior improvements and replacement of some major systems.

All of these apartments are assisted with SHP operating and service funding. In August 2012, Advent, Inc., the present owner agreed to sell the scattered sites and transfer the underlying SHP contracts to Omni Development Corporation. In the interim, Crossroads is acting as property manager and service provider for the residents. As part of the state’s Continuum of Care

("CoC") application, a renewal of the SHP contract is being sought. In addition, Omni is seeking approval for the transfer of the SHP contract from Crossroads to Omni from the Rhode Island CoC. The transfer is expected to be approved in early 2015.

Following the transfer, Omni will engage the Providence Center to provide supportive services under the SHP contract. The Providence Center has extensive clinical and case management experience in providing quality in-home care and services to clients through innovative behavioral health care services. Their staff will assist families in recovery from emotional problems or psychological illness including substance abuse. Omni and The Providence Center have collaborated on other projects.

Finally, four new buildings will be constructed on three vacant lots, creating 10 apartments for families with parking and green space. These apartments are underwritten to rents at the 50% Area Median Income ("AMI") level. Omni will pursue project-based Section 8 rental assistance for these sites

The McKinney Vento HAP contract associated with 102 Linwood Avenue provides very low contract rents and as a result, the rent revenue is not adequate to cover the operating expenses of the site. The SHP contract covering the 19 scattered site apartments is also insufficient to cover all of the operating and supportive service expenses for those apartments. Therefore, a key component of this Development is the establishment of \$2 million in reserves to cover anticipated operating deficits over the next 15 years.

Costs for both construction and the anticipated operating deficits have increased since preliminary approval. All construction bids solicited through a competitive bid process were significantly higher than the original construction budget. Stand Corporation has been selected as the general contractor. The team conducted value engineering to reduce costs but final the final construction budget amount is nearly \$700,000 higher than originally estimated. The bulk of the increase is associated with the 102 Linwood site and the increased rehabilitation at the Advent scattered sites. The relocation budget for existing residents has also increased due to the need to relocate temporarily residents of the 19 scattered site apartments.

On the operating side, the final budget assumes higher SHP costs and lower contract revenue than the preliminary approval. The SHP contract was reduced last year resulting in a higher operating deficit over the 15-year tax credit compliance period. The National Equity Fund ("NEF") which is the syndicator for the transaction has required an increase of the proposed operating deficit reserve from \$931,000 to \$2 million.

To cover the increased costs, Omni is requesting increases in the preliminary approval amounts of both HTC's and the TCAP loan. Omni is also seeking a DPL that was not originally anticipated. In addition, NEF has increased their equity pricing from \$.90 to \$.93 per credit. Collectively, these changes result in an additional \$2,152,462 in funding to fill the financing gap.

The primary sources of permanent financing for the transaction will be (i) a Rhode Island Housing Deferred Payment Loan (ii) Rhode Island Housing HOME funds, (iii) equity from the sale of 9% housing tax credits, (iv) an Affordable Housing Program grant through the Federal

Loan Bank of Boston, (v) Neighborhood Stabilization Program funding, (vi) a Building Homes Rhode Island loan, (vii) and a Tax Credit Assistance Program loan. Omni has also requested a construction loan to bridge the syndication equity during construction.

The funding request is for (i) reservation of an additional \$70,338 of 2014 Housing Tax Credits, for a total reservation of \$857,534 of 2014 Housing Tax Credits, (ii) a firm commitment of a Deferred Payment Loan of \$611,402, (iii) a Tax Credit Assistance Program loan in the amount of \$1,234,000, and (iv) a revolving Construction Loan of up to \$5,500,000, to be repaid from equity proceeds from the sale of the HTCs.

Mr. Godfrey introduced Joe Caffey, Executive Director of Omni Development who thanked the Commissioners for their consideration.

Chairman Cortés and Commissioner McAllister commended Mr. Caffey on the project and the difference it has made to the neighborhood.

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; 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:

<b>Applicant</b>	<b>Development</b>	<b>9% HTC</b>	<b>Deferred Payment Loan</b>	<b>TCAP loan</b>	<b>Revolving Construction Loan</b>
Omni Development Corporation	Phoenix Renaissance	\$857,534	\$611,402	\$1,234,000	\$5,500,000

**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 \$857,534 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 Director of Housing Development 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 gives firm approval of financing of a Deferred Payment Loan in an amount not to exceed \$611,402 for the Borrower.

**Resolved,** That Rhode Island Housing hereby gives firm approval of financing of a Tax Credit Assistance Program loan in an amount not to exceed \$1,234,000 for the Borrower.

**Resolved,** That Rhode Island Housing hereby gives firm approval for a Construction Loan in an amount not to exceed to \$5,500,000 of funds for the Borrower.

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

- HUD approval of the pass-through of the McKinney Vento HAP contract during relocation and transfer of the HAP Contract back to 102 Linwood at construction completion for 26 units.
- Approval by Rhode Island Housing of Omni's proposed Service Contract with the Providence Center and the resident services plan for all residents of the Development
- Approval from the Rhode Island Continuum of Care for the transfer of the existing SHP contract for 19 family apartments to Omni.
- 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.
- Availability of HOME, Neighborhood Stabilization Program, Affordable Housing Program 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 including tenant selection and marketing plans.
- Approval by Rhode Island Housing of the 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, specifications, and construction documentation.
- Approval of a relocation plan for any existing residents requiring temporary or permanent relocation.

- Completion of all items required for closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation.

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

### **Preliminary Approval of Preservation Financing and Approval of Bridge Loan for Aaron Briggs Apartments**

Mr. Godfrey gave this presentation.

This Request for Action is for Preliminary Approval of permanent financing and approval of a Bridge Loan for Aaron Briggs Apartments (the “Development”), an existing elderly/disabled housing development. Preservation of Affordable Housing (the “POAH” or the “Developer”) is purchasing the property from the current owner in an arm’s length transaction.

Aaron Briggs is an assisted development with 88 apartments for elderly and disabled residents in Providence. The development, comprised of garden style buildings and associated parking, contains 80 one-bedroom apartments and 8 two-bedroom apartments. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract. The Development was originally financed by Rhode Island Housing.

In 2003, when the original mortgage and regulatory agreement matured, the current owner, Aaron Briggs Associates, LP refinanced the property with a commercial lender. Other than the existing HAP contract, there are no long-term use restrictions on the property. As part of this Preservation Program transaction, POAH will extend the properties’ affordability restrictions for 40 years. POAH will request (i) a Mark-up-to-Market rent increase under HUD’s non-profit transfer program, and (ii) a new twenty-year HAP Contract. This contract renewal will be subject to annual appropriation in the United States budget.

In addition, POAH will complete approximately \$2.3 million in improvements to the Development. The initial work scope includes new windows, masonry repairs, other envelope improvements as well as general site improvements; interior work includes new kitchens and baths, common area upgrades and elevator repairs. Energy efficiency measures will be implemented as well as some ADA improvements. A Capital Needs Assessment (“CNA”) has been completed. POAH and Rhode Island Housing staff will use the CNA to develop the final rehabilitation scope. POAH will establish new reserve accounts to cover the costs of upgrades and improvements forecasted in future years.

POAH is a nonprofit, mission driven organization committed to preserving at-risk affordable housing for the long term. Since 2001, POAH has acquired and preserved almost 9,000 apartments in 75 properties. A POAH-related entity, Preservation Housing Management (“PHM”), will manage the property. POAH currently owns and manages eight other sites in

Rhode Island, three of which are located in Providence. They expect to achieve operating efficiencies at Aaron Briggs with their local property management experience. The acquisition of this facility will complement POAH's mission through the acquisition of existing assisted housing in order to assure its affordability for the future.

The primary source of financing for the transaction will be a 40-year tax-exempt bond funded 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, and project reserves.

Aaron Briggs is a pre-1980 ("Pre-80") HUD development and has approximately \$100,000 in existing Residual Receipts. As a Pre-80 Development, the Residual Receipts belong to Rhode Island Housing, which we have been holding since the property was originally developed. Under the Corporation's existing Preservation Guidelines, Rhode Island Housing has agreed to split the Residual Receipts with owners in exchange for a long-term extension of affordability. Therefore, the Affordable Housing Trust ("AHT") will receive a preservation fee of about \$50,000. The balance of the Residual Receipts will be used by POAH as part of the acquisition of the property.

The Purchase and Sale Agreement ("P&S") requires that POAH complete their purchase of the property April 2015. It is likely that POAH will not be in a position to close on their permanent financing until June or July due to the time involved in the Mark-up-to-Market rent increase as well as negotiation with the syndicator. Therefore, POAH has requested that Rhode Island Housing provide a short-term bridge loan (the "Bridge Loan") so that they can purchase the Development as required by the terms of the P&S. The Bridge Loan and any accrued interest will be fully repaid when the permanent loan is closed. The Bridge Loan will be in an amount up to \$6,300,000. It will have a term of up to one year. Term Sheets for both the permanent and Bridge Loan are included in this RFA.

This RFA requests preliminary Approval for a tax-exempt permanent mortgage amount of up to \$7,020,000 and approval of a Bridge Loan in the maximum amount of \$6,300,000.

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>Permanent Mortgage</u>
<b>Aaron Briggs</b>	<b>Preservation of Affordable Housing</b>	<b>\$7,020,000</b>

**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 in an amount not to exceed \$7,020,000 to Preservation of Affordable Housing or an affiliated partnership (the “Borrower”) for rental housing known as Aaron Briggs located at 301 Cranston Street 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 \$7,020,000 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 appraisal by an independent appraiser demonstrating that the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Completion and approval of a Capital Needs Assessment.
- Completion of a Phase I environmental assessment and any such other environmental studies deemed necessary by Rhode Island Housing.
- Approval by Rhode Island Housing of Development Team members.
- Final approval of the new operating budget.
- Approval by Rhode Island Housing of construction plans, specifications, and supporting construction documentation.
- Approval by bond underwriter and bond counsel that the loans will satisfy all required bond provisions for the bond issue.
- FHA Risk-Sharing approval from HUD for a minimum of 50% of the first mortgage.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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

**Approval of Authorization to Issue Multi-Family Bond Series 2014 A**

Mr. Godfrey presented this request.

This Request for Action seeks approval of authority to issue up to \$90,000,000 in bonds under the Multi-Family Development Bond General Resolution.

Rhode Island Housing finances its multi-family loans by issuing bonds identified for that purpose. Rhode Island Housing has approximately \$68 million of multifamily loans in process or closed that may require bond financing during the next year. At this time, it is necessary to issue bonds to finance loans closing in the next few months, as well as to provide anticipatory funding for upcoming loan production. Sizing of the issuance would also include required debt service reserves. In addition, due to the current low interest rate environment, Rhode Island Housing may have the opportunity to refund approximately \$18 million of previously issued multifamily bonds at lower rates.

This authorization will permit Rhode Island Housing to fund the loans in process and refund the previously issued multifamily bonds.

Staff recommends the adoption of the resolutions authorizing issuance of up to \$90 million of both short and long-term bonds within the Multi-family Development Bond Program.

Upon a motion made by Commissioner McAllister and seconded by Commissioner DeRentis the resolution was unanimously adopted in the form presented to the meeting, which the Authorization to Issue Multi-Family Bond Series 2014 A is attached as part of the December 11, 2014 board package.

### **Approval Amendments to Rhode Island Housing PHA Administrative Plan**

Mr. Godfrey made this presentation.

Rhode Island Housing operates several federal housing programs, one of which is the Section 8 Housing Choice Voucher Program (the "HCV Program" or "Program"). The HCV Program offers rental subsidies to help income-qualifying families, senior citizens and disabled individuals afford safe, healthy homes of their choosing. Rhode Island Housing serves as a Public Housing Authority ("PHA") in a number of Rhode Island communities. In that capacity Rhode Island Housing makes subsidy payments directly to landlords on behalf of participating families, and the families pay the difference between the rent charged by their landlords and the amounts subsidized by the Program. Rhode Island Housing's operation of the HCV Program is governed by an internal Administrative Plan (the "Plan"), developed as required by federal regulation.

In connection with Rhode Island Housing's ongoing efforts to reduce administrative burdens on Program participants and adopt best practices in the administration of the Program, staff recently undertook a review of the Plan. The Plan currently in effect was adopted by the Rhode Island Housing Board of Commissioners by resolution dated June 16, 2011 and has not been formally updated since.

As a result of this review, staff identified several areas in which the Plan should be updated to reflect current best practices and reduce administrative burden on Program participants and

administrators. These areas include the Plan's general tenant selection preferences and procedures. The proposed changes will allow the Program better to serve the intended pool of applicants for tenant-based assistance.

Staff has proposed a series of amendments, summarized below, to the Administrative Plan to ensure that the Plan reflects current practice and complies with applicable HUD requirements.

- Chapter 3 has been revised to limit the period of time in which an applicant for assistance must not have been arrested (as opposed to convicted) for the use of illegal drugs to one year.
- Chapter 3 has been revised to deny assistance if any household member has been convicted of a sexual offense.
- Chapter 4 has been revised to clarify the selection preference for homeless families and explain the related verification requirements.

The proposed amendments to the Plan are consistent with Rhode Island Housing's Annual Plan, which will be reviewed by the Board of Commissioners and HUD. These amendments will become effective upon approval and adoption by the Rhode Island Housing Board of Commissioners.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner Stolle, the following resolution was approved:

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

WHEREAS: Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") has been designated by the United States Department of Housing and Urban Development ("HUD") as a Public Housing Authority ("PHA") in connection with the Section 8 Housing Choice Voucher Program (the "HCV Program");

WHEREAS: Part 982.54 of Title 24 of the Code of Federal Regulations requires each PHA to administer its HCV Program according to an Administrative Plan (the "Plan");

WHEREAS: The Plan must establish local policies for administration of the program in accordance with HUD requirements and must be adopted by the PHA Board of Commissioners; and

WHEREAS: Staff has undertaken a review of the Administrative Plan and has established the need for certain revisions, which will amend and clarify certain selection criteria better to serve the community;

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing hereby approves and adopts the amendments to the Rhode Island Housing Administrative Plan substantially in the form presented at this meeting.

### **Approval of Additional Allocation of Bond Volume Cap to First Homes Tax Credits**

Mr. Godfrey made this presentation.

This Request for Action (“RFA”) is for authorization to allocate and to allocate up to \$118,910,000 in unused private activity bond authority to be issued as Mortgage Credit Certificates (“MCCs”) under Section 25 of the Internal Revenue Code (the “Code”).

Under state and federal law, Rhode Island Housing has authority to issue tax-exempt mortgage revenue bonds (“MRBs”) to be used for the purchase of primary residences by borrowers who meet the applicable IRS requirements. Each state receives an allocation of private activity bond authority from the US Department of the Treasury. In turn, the state allocates this bond authority to state entities that are authorized to issue tax-exempt bonds, such as the Economic Development Corporation, the Student Loan Authority, the Airport Corporation and Rhode Island Housing. Because Rhode Island Housing is the only issuer permitted to carry forward bond authority to successive years, we are assigned any unused state authority each year.

In past years, Rhode Island Housing primarily funded its mortgage lending activity with proceeds from the sale of tax-exempt private activity bonds since the rate that was achievable was less than rates available in the private mortgage market. However, due to the upheaval in the capital markets in recent years, the interest rates achievable through the sale of tax-exempt bonds are no better than the rates available through more conventional mortgage products. Consequently, Rhode Island Housing has responded to this changed environment and now funds most of its loans through new financing platforms, including Fannie Mae and Ginnie Mae. As a result of this funding shift, Rhode Island Housing has unused tax-exempt volume cap including \$118,910,000 that will expire at the end of 2014.

This unused tax-exempt authority presents an opportunity for Rhode Island Housing to take advantage of an IRS program that will provide tangible benefits to low- and moderate-income first-time homebuyers in a way that will complement our current lending platforms. Under the Code, Rhode Island Housing can convert a portion of its authority to issue tax-exempt bonds into MCCs, which would then be issued to qualified homebuyers. The MCC provides housing assistance to the homebuyer in the form of a federal tax credit, the value of which is equal to a portion of the mortgage interest (between 10% and 50%, in accordance with the program guidelines) paid by a homeowner on certain qualifying loans. This tax credit is used on a dollar-for-dollar basis to offset all or a portion of the homeowner’s tax obligation on ordinary income and is available every year for the life of the loan. To claim the credit, the homeowner completes and submits an IRS form along with their federal tax return. To the extent that the mortgage interest paid is higher than the credit available under the MCC program that excess amount can be taken as an itemized deduction, further reducing the homeowner’s federal tax liability.

The following example illustrates how the MCC works. Assume that an eligible borrower paid \$10,000 in mortgage interest in a given year and was the holder of a 20% MCC. Twenty percent of the \$10,000 paid in mortgage interest, or \$2,000, can be used to offset the borrower's income tax liability. The \$8000 balance of mortgage interest paid can be used as an itemized deduction. A borrower in the 28% tax bracket would save an additional \$2,240 in taxes through this deduction. The total benefit to this borrower, using the MCC, is \$4,240. In contrast, a similarly situated borrower in the same tax bracket, without an MCC, would only realize a benefit of \$2,800 (\$10,000 interest deduction x 28% tax rate). This is a \$1,420 benefit to the borrower with an MCC.

In late 2013, the Board authorized the reestablishment of the MCC program, known as the FirstHomes Tax Credit, and allocated \$75,000,000 in unused private activity bond authority to be issued as MCCs to qualifying homebuyers. Rhode Island Housing began taking applications under the FirstHomes Tax Credit program on July 1, 2014. The Program has proven to be immensely popular with homebuyers and our participating lenders. To date, Rhode Island Housing has received applications for approximately 65% of the MCC authority available under the 2013 allocation, and will likely exhaust available MCC authority by April 2014.

In light of the strong demand for the product, and the availability of \$118,910,000 in private activity bond authority that will expire at the end of 2014, staff recommends that this expiring volume cap be allocated to the MCC program to extend our ability to issue MCCs to eligible borrowers. Because there is no other viable use of the expiring bond authority, we can provide this benefit to borrowers at no cost.

Staff recommends the adoption of the attached resolutions authorizing the allocation of up to \$118,910,000 in private activity bond authority for the issuance of MCCs and the extension of the MCC Program.

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 a duly organized and existing body politic and corporate, not a state agency, but an independent instrumentality exercising essential public functions under the constitution and laws of the State of Rhode Island (the "State"); and

WHEREAS, Rhode Island Housing is authorized by Chapter 55 of Title 42 of the Rhode Island General Laws, as amended (the "Act"), to issue and sell its revenue bonds and to use the proceeds thereof for the purpose of financing mortgage loans to low and moderate income persons in the State, to purchase or, under certain circumstances, to improve and rehabilitate owner-occupied residences and to secure payment of such revenue bonds as therein provided, all in accordance with the provisions of the Act; and

WHEREAS, Rhode Island Housing is an authorized issuer of “qualified mortgage bonds” described in Section 143 of the Internal Revenue Code of 1986, as amended (the “Code”) and receives volume cap under Section 146 of the Code to issue such qualified mortgage bonds and other private activity bonds; and

WHEREAS, Section 25 of the Code and the regulations promulgated thereunder permit Rhode Island Housing to exchange its authority to issue qualified mortgage bonds and other private activity bonds for which it has volume cap in order to issue mortgage credits certificates (“MCCs”) under a qualified mortgage credit certificate program; and

WHEREAS, an MCC provides housing assistance in the form of a nonrefundable, federal tax credit, the value of which is equal to a portion of the mortgage interest paid by a homeowner on certain qualifying loans; and

WHEREAS, the holder of an MCC may apply this tax credit against on his or her federal income taxes in each year the MCC is effective; and

WHEREAS, Rhode Island Housing desires to provide the widest range of alternatives to low and moderate income borrowers to enable them to finance the acquisition, construction, improvement and/or rehabilitation of single-family residences within the State; and

WHEREAS, Rhode Island Housing currently administers a mortgage loan program funded in part through the issuance of qualified mortgage bonds (the “Bond Program”) and in part through other financing vehicles,(collectively with the Bond Program the “Loan Program”); to provide lower interest rate loans to low and moderate income persons who qualify for such program and

WHEREAS, to complement the Loan Program, Rhode Island Housing also wishes to implement an MCC program and issue MCCs under such program; and

WHEREAS, in connection with such MCC program Rhode Island Housing desires to elect not to issue up to \$118,910,000 of private activity bonds which it could otherwise issue (including from any unused carry forward from prior calendar years); and

WHEREAS, pursuant to Section 146 of the Code, Rhode Island Housing has previously directed its Executive Director to file with the Internal Revenue Service (the “IRS”) Form 8328 or such other applicable form to carry forward unused private activity bond volume cap allocated to Rhode Island Housing for the calendar year 2011; and

WHEREAS, Rhode Island Housing previously directed that the carryforward volume cap be used to issue qualified mortgage bonds in connection with its Bond Program, and now desires to use a portion of such carryforward volume cap in connection with its MCC program and the issuance of MCCs; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF RHODE ISLAND HOUSING, AS FOLLOWS:

**Section 1.** Rhode Island Housing finds and determines that it is necessary to exchange its authority to issue up to \$118,910,000 of private activity bonds for the authority to issue MCCs. Rhode Island Housing directs the Executive Director to make one or more elections, pursuant to Section 25 of the Code, not to issue up to an aggregate of \$118,910,000 of private activity bonds (the “nonissued bond amount”) that Rhode Island Housing is authorized and has volume cap available to issue (including any unused carryforward). The nonissued bond amount shall be allocated to an MCC program to be established by the Executive Director under this Resolution. To effectuate the foregoing, the Executive Director is directed to file notice of such election or elections with the Internal Revenue Service, as required by the Code and the regulations.

**Section 2.** Rhode Island Housing approves and authorizes a program (the “MCC Program”) of issuing MCCs, pursuant to one or more elections, to qualified homebuyers who incur mortgage loans for eligible purposes. The parameters and purposes of this MCC Program are attached hereto as Exhibit A. Such parameters are hereby approved in substance, with such changes and modifications as the Executive Director, the staff and counsel to Rhode Island Housing deem necessary and advisable, and are incorporated by reference as part of this Resolution.

**Section 3.** With respect to the MCC Program, the Executive Director may establish one or more credit rates for the mortgage loans described therein, determine the program expiration date, select the types of mortgage loans for which MCCs may be issued, approve the terms and conditions on which participating lenders make loans that are eligible for MCC financing, and make other determinations as appropriate, all in accordance with the terms and provisions of Section 25 of the Code and the regulations thereunder and this Resolution. The Executive Director and the staff are hereby directed to further define the MCC Program parameters as necessary to maximize the availability of lower cost financing to low and moderate-income persons under the MCC Program.

**Section 4.** The Executive Director shall develop forms of the MCC Program Guide and related items as he determines are necessary, appropriate and advisable to carry out the MCC Program.

**Section 5.** The Executive Director shall give notice to the public of establishment of each MCC Program as required by Section 25 of the Code and the regulations thereunder prior to the issuance of any MCCs under the MCC Program.

**Section 6.** Rhode Island Housing ratifies and approves the use of any unused private activity bond volume cap allocated to Rhode Island Housing and previously carried forward for the calendar year 2011 in connection with the issuance of MCCs.

**Section 7.** The Executive Director be and hereby is authorized to take any actions he determines are necessary, appropriate and advisable to carry out this Resolution.

**Section 8.** This Resolution shall be in full force and effect immediately upon its passage and approval.

## Approval Memorandum of Agreement with Rhode Island Continuum of Care

Mr. Godfrey delivered this presentation.

Commissioner Stolle announced that as he represents the Department of Administration as its counsel, he was recusing from the consideration of or vote on this matter.

This Request for Action is for approval to enter into a Memorandum of Agreement (“MOA”) with the Rhode Island Continuum of Care (“RiCoC”) in order to access federal resources available to address and end homelessness in Rhode Island.

The Rhode Island Housing Resources Act of 1998, (the “HRC Act”), Chapter 128 of Title 42 of the Rhode Island General Laws, established the Rhode Island Housing Commission (the “HRC”). The HRC Act gave the HRC the power and duty to administer the Supportive Services Program and other programs providing services to the homeless. The Act also directed Rhode Island Housing and the HRC to collaborate providing housing programs, and to develop and enter into agreements defining which entity will apply for programs of federal housing assistance on behalf of the State.

Pursuant to its statutory authority, the HRC, along with other interested stakeholders, developed Opening Doors Rhode Island, a strategic plan to transform the provision of services to homeless people in Rhode Island, consistent with a recent HUD plan to prevent and end homelessness.

In order to implement Opening Doors, the HRC established the RiCoC, an unincorporated association of organizations involved in providing assistance and services to persons who are homeless, or at-risk of homelessness, in Rhode Island. One of the goals of RiCoC is to promote community-wide commitment to follow best practices to end homelessness in the State.

Federal resources are available through HUD under the federal Continuum of Care program, (the “Program”) established by the McKinney-Vento Homeless Assistance Act and its implementing regulations. In order to access resources under the Program, the RiCoC must designate an entity to serve as the Collaborative Applicant (the “CA”). The CA is responsible for, among other things, providing the planning necessary to prepare and submit an application to HUD under the Program, ensuring that RiCoC sub-recipients comply with applicable Program regulations and provide staff support to the RiCoC as need. In return for undertaking these responsibilities, the CA is entitled to receive any administrative fees associated with the federal Program. Rhode Island Housing has served as the CA for the State since the inception of the Program, and will continue serve in such capacity as further specified in the MOA.

The attached MOA sets forth the respective rights and responsibilities of Rhode Island Housing and the RiCoC regarding participation in the federal Program in order to eliminate confusion regarding roles in carrying out the Program. The MOA was jointly developed by Rhode Island Housing and the Rhode Island Office of Housing and Community Development and we anticipate approval by RiCoC’s Governing Board later this month.

Staff recommends that the attached resolution authorizing execution of the proposed MOA between Rhode Island Housing and RICoC, substantially in the form as presented at this meeting, be adopted.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Roos, the following resolution was adopted with five votes in favor, none opposed and one recusal by Commissioner Stolle, who did not participate in the discussion or vote on this matter.

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

WHEREAS: the Housing Resources Act of 1998 (the “HRC Act”) gives the Housing Resources Commission (“HRC”) the power and duty to administer the Supportive Services Program and other programs providing services to the homeless; and

WHEREAS: the HRC, along with other interested stakeholders, developed Opening Doors Rhode Island, a strategic plan to transform the provision of services to homeless people in Rhode Island, consistent with a recent HUD plan to prevent and end homelessness; and

WHEREAS: the Rhode Island Continuum of Care (“RICoC”), an unincorporated association of organizations involved in providing assistance and services to persons who are homeless, or at-risk of homelessness, in Rhode Island, was established to carry out the goals of Opening Doors, and to promote community-wide commitment to follow best practices to end homelessness in the State.

WHEREAS: RICoC has designated Rhode Island Housing as the Collaborative Applicant for purposes of applying for federal resources under the federal Continuum of Care program, (the “Program”) established by the McKinney-Vento Homeless Assistance Act in order to carry out the goals of Opening Doors; and

WHEREAS: the HRC Act directs Rhode Island Housing and the HRC to enter into agreements defining which entity will apply for programs of federal housing assistance on behalf of the State; and

WHEREAS: Rhode Island Housing and the RICoC with involvement from the State of Rhode Island Office of Housing and Community Development have developed the attached Memorandum of Agreement (“MOA”) to set forth their respective rights and responsibilities regarding RICoC’s participation in the federal Program; and

WHEREAS: the MOA is expected to be considered for approval by the RICoC Governing Board in the coming weeks.

NOW, THEREFORE, it is hereby;

RESOLVED: That Rhode Island Housing is authorized to enter into the MOA, substantially in the form set forth in Attachment A, with such changes and modifications that may be requested by the RICoC Governing Board, which the Executive Director determines to be consistent with the foregoing and in the best interests of Rhode Island Housing.

RESOLVED: That the Executive Director is hereby authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

### **Approval of Memorandum of Agreement with Rhode Island Department of Administration**

Mr. Godfrey presented this request.

Commissioner Stolle announced that as he represents the Department of Administration as its counsel, he was recusing from the consideration of or vote on this matter.

This action authorizes the execution of a Memorandum of Agreement (MOA) with the Rhode Island Department of Administration Office of Management and Budget for third party review of requisitions for the Rhode Island Continuum of Care (RICoC) program plus review and recommendations with regard to various grant management activities at Rhode Island Housing.

Rhode Island Housing performs various functions with regard to the RICoC including processing of requisitions to the U.S. Department of Housing and Urban Development (HUD) on behalf of sub-recipients. HUD has requested that Rhode Island Housing obtain third party review of the requisitions prior to submission. The Office of Grants Management within the Department of Administration has agreed to provide services with regard to third party reviews for RICoC plus undertake reviews, make recommendations and conduct training with regard to other grant programs at Rhode Island Housing, including such activities as:

#### **Review of Invoices Submitted by Rhode Island Continuum of Care Sub-Recipients:**

- Develop a checklist to be used by the Office of Management and Budget (OMB) and Rhode Island Housing to review and approve sub-recipient requests for reimbursement for the RICoC program.
- Rhode Island Housing will receive all RICoC invoices and complete initial review using the checklist within five business days of receipt. The invoice and the checklist will be forwarded to OMB for final review and sign-off. OMB review will be completed within five business days of receipt from RI Housing. If additional documentation is needed from the sub-recipient, RI Housing will make the request via email with a cc to the OMB. Where additional documentation is requested, the review process will be started anew.

**Establish Standardized Tools to Document Program Activities and Support Requests for Reimbursement:**

- OMB will develop a standardized time sheet that meets federal requirements. The time sheet must also document that activities are allowable and allocable under the program rules.
- OMB will review existing system for documenting match/leverage and determine if it is sufficient to meet federal requirements. In the event that that the current system is insufficient, a new system will be developed by OMB and implemented by Rhode Island Housing.
- Revise budget form and billing form to include sufficient information to approve sub-recipient requests for reimbursement in accordance with applicable federal statutes, regulations, and rules.
- Rhode Island Housing is developing a policy and procedure manual. OMB will review the new policies in the context of the manual to ensure that the two are consistent and compliant with federal statute, regulations, and program rules.
- Rhode Island Housing will use the tool across all agency programs.

**Communicate and Provide Technical Assistance to Sub-Recipients:**

- Rhode Island Housing will communicate any and all changes to sub-recipients in writing; OMB will be copied on all correspondence.
- Rhode Island Housing will post the policy and procedure manual and program tools on their website so that sub-recipients can access.
- Rhode Island Housing, with support from OMB, will sponsor training on newly developed tools.
- OMB will host a webinar series for Rhode Island Housing program staff and sub-recipients prior to March 31, 2015, on the new Uniform Grant Guidance.

Rhode Island Housing will reimburse the State of Rhode Island for the costs to provide these services including costs incurred prior to the date of the MOA.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner Roos, the following resolution was adopted with five votes in favor, none opposed and one recusal by Commissioner Stolle, who did not participate in the discussion or vote on this matter.

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

WHEREAS: the Rhode Island Continuum of Care (“RICoC), an unincorporated association of organizations involved in providing assistance and services to persons who are homeless, or at-risk of homelessness, in Rhode Island, was established to carry out the goals of Opening Doors, and to promote community-wide commitment to follow best practices to end homelessness in the State.

WHEREAS: RICoC has designated Rhode Island Housing as the Collaborative Applicant for purposes of applying for federal resources under the federal Continuum of Care program, (the “Program”), which was established by the McKinney-Vento Homeless Assistance Act, in order to carry out the goals of Opening Doors; and

WHEREAS: Rhode Island Housing, as part of its responsibilities as Collaborative Applicant is responsible for reviewing and submitting requisitions on behalf of sub-grantees to the U.S. Department of Housing and Urban Development (“HUD”).

WHEREAS: HUD has requested an additional third-party review of those requisitions; and

WHEREAS: The Office of Management and Budget within the State of Rhode Island Department of Administration has agreed to undertake such third-party reviews and provide reviews, recommendations and training with regard to other grant programs at Rhode Island Housing and may request reimbursement for the costs of providing such services; and

WHEREAS: The Office of Management and Budget and Rhode Island Housing desire to enter into a Memorandum of Agreement setting forth their respective roles and responsibilities regarding this relationship.

NOW, THEREFORE, it is hereby;

RESOLVED: That Rhode Island Housing is authorized to enter into a Memorandum of Agreement with the Department of Administration with regard to grant management services to be carried out for the benefit of RICoC and/or Rhode Island Housing, including requisition review and other services and reimbursement to the State of Rhode Island for the costs of services provided, substantially in the form as presented at this meeting, with such changes as the Executive Director determines to be consistent with the foregoing and in the best interests of Rhode Island Housing.

RESOLVED: That the Executive Director is hereby authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolution.

**Authorization to Participate in the Ginnie Mae Single-Family Mortgage Backed Securities Program**

Mr. Godfrey made this presentation.

This Request for Action is for authorization of certain designated officers and employees to execute and deliver to the Government National Mortgage Association (“Ginnie Mae”) on behalf of Rhode Island Housing any instruments as may be necessary for Rhode Island Housing to participate in the Ginnie Mae MBS Programs.

Rhode Island Housing has been an approved Ginnie Mae single-family MBS issuer/servicer since April 2009. Under the MBS Program, Ginnie Mae guarantees securities issued by Rhode Island Housing, which are backed by pools of our mortgages. The Ginnie Mae guaranty carries the full faith and credit of the United States and ensures that security holders receive timely payments of principal and interest as provided in the transaction documents.

Periodically, Ginnie Mae requests that Rhode Island Housing update its designation of employees or officers authorized to execute and deliver to Ginnie Mae instruments necessary to participate in Ginnie Mae programs and services. Ginnie Mae requires that the Board authorize specifically identified employees to act on behalf of Rhode Island Housing regarding single-family MBS Programs, rather than designating authorized officers by position, which is the usual commercial practice. From time to time, staff will seek authorization of other specifically identified employees due to staff turnover or reorganization of functions.

Upon a motion made by Commissioner McGreevy and seconded by Commissioner McAllister, the resolution was unanimously adopted in the form presented to the meeting, which the Authorization to Participate in the Ginnie Mae Single-Family Mortgage Backed Security is attached as part of the December 11, 2014 board package.

### **Approval of Various Policies, Procedures and Bylaw Changes to Comply with the Quasi-Public Corporations Accountability and Transparency Act**

Mr. Godfrey presented this request.

On July 8, 2014, Governor Chafee signed into law the Quasi-Public Corporations Accountability and Transparency Accountability Act (the "Accountability Act") codified at Chapter 155 of Title 42, of the Rhode Island General Laws. The Accountability Act enables, creates and encourages high standards of transparent, effective and ethical operations by the boards that serve critical oversight of government resources of the more than twenty (20) enumerated quasi-public corporations found at 42-155-3(a). Rhode Island Housing is subject to the Accountability Act, which will become effective on January 1, 2015. An overview of the Accountability Act requirements is set forth as Attachment A.

Since the signing into law, staff has been reviewing current governance documents, policies and procedures to determine actions necessary to ensure compliance with the Accountability Act by its effective date. As a result of this review, several existing governance documents need to be updated to conform to the Accountability Act. In addition, several documents must be adopted by the Board to respond to the new requirements of the Accountability Act.

This request seeks Board approval of the adoption and/or modification of those documents that the Accountability Act requires be adopted by the Board.

#### **a. Bylaw Amendments**

The Accountability Act requires that Rhode Island Housing adopt and periodically update an indemnification policy, which shall be set forth in the bylaws, and shall establish a committee on

executive compensation, which shall be responsible for recommending to the full Board the compensation of the executive director and senior management of the corporation, negotiate the employment contract of the executive director, and conduct the annual job performance review of the executive director. Staff has proposed changes to the bylaws to comply with these requirements. First, the Bylaws have been amended to establish the Management and Budget Committee as a standing committee of the corporation, and to set forth its responsibilities in line with the Accountability Act. Staff also recommends that the bylaws be amended to reflect an updated reference to the statute governing indemnification of employees and board members. In addition, the bylaws have been updated to incorporate recent amendments to the Open Meetings Act. Finally, a number of non-substantive stylistic changes have been made. The updated Bylaws are set forth as Attachment B.

**b. Policies on Internal Accounting, Charitable Donations, Marketing and Lobbying**

The Accountability Act requires that Rhode Island Housing adopt policies and procedures addressing each of the following topics:

- internal accounting and administrative controls in compliance with the Public Corporation Financial Integrity and Accountability Act of 1995
- charitable and civic donations including a process for board approval and identification of the donations in the corporation's financial statements
- credit cards
- marketing expenses
- lobbyist expenses

Staff has prepared a Handbook of Policies and Procedures to Ensure Accountability (the "Accountability Handbook") which is set forth as Attachment C.

**c. Updates to Employee Handbook**

The Accountability Act also requires that the Board adopt written policies regarding reimbursement for (i) in-state and out-of-state travel and (ii) business expenses, including items classified as gifts or entertainment. Rhode Island Housing's Employee Handbook contains provisions regarding these topics. Staff has made changes to these policies necessary to comply with the Accountability Act. The proposed changes to the Employee Handbook regarding travel expenses are set forth as Attachment D. The proposed changes for reimbursement of business expenses and expenses classified as gifts or entertainment are set forth as Attachment E.

The Accountability Act also requires that the Board adopt personnel policies, including provisions dealing with the hiring, dismissal, promotion and compensation of employees. The existing Employee Handbook addresses each of these matters; however, in order to ensure that the requirements of the Accountability Act are met staff recommends that the Board reaffirm the adoption of the entire updated Employee Handbook. A copy of the Employee Handbook

with the proposed revisions has been provided to you electronically. A hard copy will be available at the Board meeting.

**d. Code of Ethics**

The Accountability Act requires that Rhode Island Housing adopt a Code of Ethics that at a minimum includes the standards set forth in the Rhode Island Code of Ethics, Chapter 14 of Title 36 of the Rhode Island General Laws (the “State Code”). Rhode Island Housing adopted a corporate Code of Ethics in 1997, which has subsequently been amended. Staff has reviewed the Code of Ethics and recommends several updates to ensure compliance with the State Code. In addition, the Corporation’s Code of Ethic’s has been updated to include a Declaration of Policy Regarding Employee Participation in housing programs administered by the Corporation. The updated Code of Ethics is set forth as Attachment F.

**e. Supplement to Strategic Plan**

The Accountability Act requires that Rhode Island Housing adopt a mission statement, description of the stakeholders of the Corporation and their reasonable expectation and performance measurements by which the achievement of the goals set forth in the Strategic Plan may be evaluated. In addition, Rhode Island Housing must undertake and publish a self-evaluation based upon the stated performance measures at least once every three years.

The Board adopted the Strategic Plan on April 17, 2014. Staff recommends that the Supplement to the Strategic Plan, which identifies the stakeholders of Rhode Island Housing and their reasonable expectations, and the performance, measures for 2015 be adopted. The Supplement to the Strategic Plan is set forth as Attachment G.

**f. Workplan for Review of Policies**

In order to meet the timeframe required by the Act, staff recommends that each of the policies set forth above be adopted on an interim basis, subject to a more detailed policy review by various committees of the Board of Commissioners in accordance with the following schedule:

<b><u>Document</u></b>	<b><u>Committee</u></b>	<b><u>Date</u></b>
Bylaws and Code of Ethics	Legal and Intergovernmental	June 2015
Accounting Policies and Procedures	Audit and Investment	September 2015
Employee Handbook	Management, Budget and HR	December 2015

Following these committee reviews, these documents will be presented to the full Board for final review and adoption, including any changes that may be recommended as a result of the committee reviews.

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: On July 8, 2014, the Governor signed into law the Quasi-Public Corporations Accountability and Transparency Accountability Act found at Title 42, Chapter 155 of the Rhode Island General Laws (the “Accountability Act”), which Accountability Act will take effect on January 1, 2015;

WHEREAS: Rhode Island Housing is a “quasi-public corporation” as defined by the Accountability Act;

WHEREAS: The Accountability Act seeks to hold all quasi-public corporations to the highest standards of transparency and accountability;

WHEREAS: Staff of Rhode Island Housing has reviewed current governance documents, policies, and procedures of the corporation to determine compliance with the Accountability Act;

WHEREAS: Staff of Rhode Island Housing have found that compliance with the Accountability Act will require the creation and/or updating of certain governance documents requiring Board approval;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing adopts the recommended updates to the Bylaws substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing adopts the Handbook of Policies and Procedures to Ensure Accountability substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing adopts the recommended Travel Expense Policy substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing adopts the recommended Business Gifts & Entertainment Policy substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing approve and reaffirm the entire updated Employee Handbook substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing adopts the recommended updates to Code of Ethics substantially in the form as presented at this meeting.

RESOLVED: That Rhode Island Housing adopts the recommended Supplement to the Strategic Plan substantially in the form as presented at this meeting.

RESOLVED: That the foregoing resolutions are adopted on an interim basis subject to further review by committees of the Board in accordance with the following schedule:

<u>Document</u>	<u>Committee</u>	<u>Date</u>
Bylaws and Code of Ethics	Legal and Intergovernmental	June 2015
Accounting Policies and Procedures	Audit and Investment	September 2015
Employee Handbook	Management, Budget and HR	December 2015

RESOLVED: That following the committee reviews the documents referred to in the foregoing resolutions be submitted to the Board for final approval, with such changes, if any, recommended by the committees.

RESOLVED: That the Executive Director may take such actions as he deems necessary and in the best interests of Rhode Island Housing to carry out the foregoing Resolutions.

Chairman Cortés announced that this was the last meeting of 2014 and wanted to express his appreciation to Mr. Godfrey for the remarkable results that Rhode Island Housing was able to achieve during such challenging times. The Chairman also thanked the Commissioners for their efforts throughout the year and wished everyone a healthy and happy holiday season.

There being no further business to discuss, a motion was duly made by Commissioner Roos and seconded by Commissioner McAllister to adjourn the open meeting at approximately at 9:26 a.m.

Respectfully submitted,

Richard Godfrey  
Secretary and Executive Director