

**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, March 19, 2015 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were Chair Andrew L. Cortés; Michael DiBiase, Director of Administration; Macky McCleary, Director of Business Regulations (arrived at 8:43); Seth Magaziner, General Treasurer; James DeRentis; and Stephen P. McAllister. Joe Monteiro was absent.

Also in attendance were: Barbara Fields, Acting 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; Paige Bronk, Director of Development; 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.

Chair Cortés called the meeting to order at approximately 8:34 a.m. and appropriately noted that a quorum was present.

Approval of Minutes of Board Meeting Held on February 19, 2015

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

VOTED: That the Minutes of the Board Meeting held on February 19, 2015 be and hereby are approved.

Chair's Report

Chair Cortés announced that after a period of organizational challenges, he is very pleased with where the Agency is positioned. The Chair noted that he come into his role during a period of transition and is proud of how we have managed organizational growth and transition, particularly the implementation of the transparency initiatives and the new scoring system for the allocation of housing tax credits. The Chair thanked staff for their support and commended them on the ability to work together for the common goal of Rhode Island Housing's mission.

Committee Reports

Chair Cortés suggested that consideration of the Management, Budget and Human Resources Committee report be taken up as agenda item 10.

Upon a motion made by Commissioner Magaziner and seconded by Commissioner DeRentis, the Board unanimously voted to defer consideration of the Management, Budget and Human Resources committee report for the meeting held on March 11, 2015 for discussion as part of the agenda item number 10.

Acting Executive Director's Review of Recent Activities and Trends

Ms. Fields introduced Ellen Balasco, designee for Commissioner McCleary and welcomed her participation until Commissioner McCleary's arrival.

Ms. Fields referred the Commissioners to her written report and commented on a few topics of interest.

Ms. Fields noted that mortgage volume in 2015 continues to be ahead of 2014 on an YTD basis. Through February, registrations were up by 110% and originations by 168%. Continuing last year's trend, 80% of closing volume generates from Rhode Island Housing's lender/broker partners. A total of 163 mortgages were closed in the first two months of 2015 compared to 101 in 2014.

Ms. Fields announced that Rhode Island Housing was awarded a National Foreclosure Mitigation Counseling (NFMC) Program Grant of \$336,613, which will enable the Agency to provide foreclosure prevention counseling to about 2,000 families over the next 12 months. The NFMC grant is the primary funding source for the HelpCenter.

Ms. Fields noted that a recent HUD review of Rhode Island Housing's FHA single-family insurance was very positive. HUD reviewed settled FHA insurance claims filed between June 2012 and March 2014, covering \$10.8 million in claims, to determine Rhode Island Housing's compliance with HUD regulations, policies and procedures. HUD determined that of the total claims paid, all but \$1,025.76 (or .0095% of claims) were proper. This was Rhode Island Housing's lowest margin of error since the inception of the Loan Servicing operation in 1995, and significantly lower than many other Housing Finance Agencies.

Commissioner McCleary arrived at this point at 8:43 a.m.

Ms. Fields noted that the recent opening of the Housing Choice Voucher Program wait list to targeted populations was successful. Staff is reviewing the applications received to establish the wait list. Vouchers will be allocated by lottery to homeless families and individuals. Rhode Island Housing is working with the Providence Housing Authority to coordinate a joint opening of the general HCVP waiting lists by the end of this year.

Ms. Fields informed the Board that Rhode Island Housing has received a \$5.6 million grant from the U.S. Department of Housing and Urban Development's (HUD) under its Section 811 Project Rental Assistance (PRA) Program. The Agency is one of only 25 state HFAs to be selected for this funding. These funds are expected to provide up to 150 affordable homes with supportive services for very low-income individuals with disabilities.

Ms. Fields commented that the Governor's proposed budget included \$3.0 million in funding for housing development to be used in conjunction with the federal Low Income Housing Tax Credit program. Staff is continuing to review the budget proposal for other provisions affecting its work, including the "Rebuild RI Real Estate Tax Credit".

A RFP was distributed soliciting proposals to purchase, renovate and operate the 85 Slater Street property. Previously used by the Urban League for its Safe Haven program (supportive housing for homeless and disabled individuals), the building has been vacant since residents were relocated last summer. Three proposals were received and the review committee heard presentations from each developer. Due diligence is being completed for one preferred proposal. A recommendation will be made to the Board in April.

Finally, Ms. Fields invited the Commissioners to join her at the Annual Realtor Breakfast on April 3, 2015. Last year's was a record-breaking event with 300 real estate professionals. This year, DEM's Chief will participate to discuss septic tanks/cesspools and compliance issues. The Director also invited the board to the Lender Breakfast on April 24, 2015 for a review of mortgage production and a product overview

Upon a motion made by Commissioner McCleary and seconded by Commissioner Magaziner, the Acting Executive Director's report was unanimously adopted as presented.

Approval of Selection of Commissioner to Serve as Vice-Chairperson of the Board

Chair Cortés made this presentation.

Pursuant to the By Laws of Rhode Island Housing, the Officers of the Corporation consist of a Chair, Vice-Chair, Secretary and Treasurer. The Governor designates the Chair and the Executive Director serves as Secretary. The positions of Vice-Chair and Treasurer are to be elected by the Board of Commissioners from among its members.

Prior to the expiration of his term and nomination of his replacement by the Governor in April 2014, Commissioner Paul Dimeo served as the Vice-Chair. Since that time, the office has been vacant. It is in the interests of the Corporation that a Vice-Chair be elected by the Commissioners to be available to perform the duties of the Chair in the absence or inability of the Chair to carry out those responsibilities.

Chairman Cortés opened the floor to nominations for the vice chair position.

Commissioner McAllister nominated Commissioner McCleary to serve as vice-chairperson.

Upon a motion made by Commissioner McAllister and seconded by Commissioner Magaziner, Commissioner McCleary elected as Vice-Chair on a unanimous vote.

Approval of External Community Activities

Ms. Fields made this presentation.

This Request for Action is for approval and ratification of Charitable Donations and Contribution of Rhode Island Housing pursuant to the Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the “Act”).

Rhode Island Housing is a public corporation of the State of Rhode Island. In carrying out its statutorily defined public purposes, Rhode Island Housing collaborates with a number of organizations that share and advance its mission.

In some instances, Rhode Island Housing is asked to financially support programs and activities of organizations engaged in activities that are consistent with and further our public purposes. We are often invited by our community partners to attend or gain recognition at community events, such as annual meetings or fundraisers, where our organizational presence is necessary or desirable.

At its meeting of December 11, 2014, the Board adopted the Handbook of Policies and Procedures to Ensure Accountability (the “Handbook”) pursuant to the Act. Section C of the Handbook sets forth Rhode Island Housing’s policy on charitable and civic donation. This Section provides that, consistent with the Act, all Charitable Donations and Contributions must be approved or ratified by the full Board at an open meeting.

Attachment A sets forth the events for the months of March and April for which Rhode Island Housing has or will make a Charitable Donation or Contribution. This Attachment identifies the recipient of the expenditure, the amount of the expenditure, the nature of the event, each Board member of employee who will receive any benefit from the expenditure and the general ledger account number where the expenditure will be recorded in Rhode Island Housing’s accounting system. None of these expenditures requires any disclosure under the Rhode Island Code of Ethics.

Rhode Island Housing’s support of the work of the organizations listed on Attachment A further our corporate purposes encouraging and stimulate development of housing to alleviate the shortage of safe and sanitary residential housing for low- and moderate-income persons as set forth in R.I.G.L. §42-55-2(a). These organizations are involved in a variety of housing related activities, from addressing the problems of homelessness (Crossroads) to providing financial support to non-profit housing developers (The Fund for Community Progress) to supporting community revitalization in Pawtucket (the Pawtucket Foundation). The work of each of these organizations further and support Rhode Island Housing’s mission.

Upon a motion made by Commissioner DiBiase and seconded by Commissioner McCleary, the following resolution was unanimously adopted.

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

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 organizations set forth in Attachment A presented at this meeting have asked Rhode Island Housing to provide financial support of their activities as described in Attachment A; and
- Whereas,** these organizations play an important role in community revitalization and the development of affordable homes for low and moderate income families and individuals and in influencing state policy that impact Rhode Island Housing's mission; and
- Whereas,** Rhode Island Housing staff has reviewed the requests for financial support and determined that it is consistent with Rhode Island Housing's legislative purposes; and
- Whereas,** Attachment A sets forth the information required by the Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws

NOW, THEREFORE, IT IS HEREBY:

- Resolved,** that the expenditures set forth in Attachment A are consistent with and in furtherance of the mission of Rhode Island Housing.
- Resolved,** the expenditures set forth in Attachment A are hereby approved and ratified.
- 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 Resolutions.

Firm Approval of Tax-Exempt Financing for Charles Place Apartment

Ms. Fields introduced this item and Ms. Ventura, Deputy Director, gave the presentation.

This Request for Action is for Firm Approval of conduit tax-exempt financing for Charles Place Apartments ("Charles Place" or the "Development") an existing development located on Charles Street in Providence. The proposed purchaser is Standard Property Company ("SPC" or "Developer") who intends to purchase and rehabilitate the Development using loan proceeds and the associated 4% low income housing tax credits ("LIHTC). Rhode Island Housing is not the current lender.

Charles Place is an elderly/disabled housing development with 200 apartments in one, ten story building. The Development contains 100 studio and 100 one-bedroom apartments as well as laundry facilities and a community room. The property was originally developed in 1974 as a HUD 236 development. The original developer and current owner has refinanced the development several times over the past nine years using HUD financing to undertake some repairs including the installation of a co-generating heating plant and to take advantage of low interest rates. However,

no major rehabilitation has occurred since the property's construction. Overall, the property is in fair condition and has received low REAC scores from HUD. The residents of the building will benefit from the sale of the property, the change in property management and subsequent renovation. As part of the transaction, Rhode Island Housing will require a 40-year use restriction to ensure long-term affordability for the Development.

Standard Property Company is a real estate development company based in New York City and Los Angeles. The principals, Scott Alter and Jeff Jaeger, formed the company six years ago. Currently SPC has developed over 9,000 units of multifamily housing throughout the country of which 3,300 are affordable with some combination of Section 42 tax credits and/or Section 8 Housing Assistance Payments (HAP) contracts. SPC will form a new limited partnership to purchase the property from the current owner. The new Limited Partnership will consist of an affiliate of SPC as general partner and affiliate of Alliant Capital, the syndicator-sponsored tax credit fund as limited partner. SPC will be the managing general partner. SPC will complete the renovations using the proceeds from the new loan and from the sale of housing tax credits.

The renovation budget has increased from \$7 million at preliminary commitment to approximately \$10 million. SPC and their team undertook a detailed review of the property, which informed the final scope of work. The current exterior scope includes replacement of all windows, brick repairs, replacement of EFIS panels, a new roof, new railings and fences, parking lot repairs and some landscaping. Interior work includes upgrades to existing kitchens and baths, upgrades to the fire suppression and alarm systems, elevator modernization, and ADA modifications. The common areas including hallways and elevators, which are currently poorly lit and uninviting, will be upgraded with new paint, carpeting, lighting and wall coverings.

One significant area of review was the site's electric co-generation system which when installed in 2006, took the Development off the electric grid. Based on SPC's analysis of the annual cost of on-going plant maintenance including costs associated with the current vendor's contract, the lack of long term surety of the efficiency of the system, and an analysis of the building's utility usage, SPC has determined that the most prudent course of action is to abandon the co-generation system and reconnect the building to the electric grid. SPC will install new cooling towers for the HVAC, refurbish the existing gas fired boilers which were installed within the past 10 years but were taken offline when the co-generation system was installed, and update the internal delivery systems for heat and hot water. While the financing has been underwritten assuming continuation of the co-generation system since it is the least cost effective alternative, the engineering suggests that operating costs will decline with the installation of the new gas system for heat and hot water, and reconnection to the grid for the electricity.

SPC will engage Apartment Management Consultants ("AMC") based in Salt Lake City as their management agent. There is no identity of interest between the firms and AMC currently manages SPC's entire portfolio. AMC provides management for approximately 300 developments across the country primarily in the midwest and west coast. Twenty-six of the developments were financed with tax credits and/or tax-exempt bonds and five of the developments have HAP contracts. This will be AMC's first management engagement in RI. They have submitted a detailed management plan that is under review by Loan Servicing. Development and Loan Servicing staff reviewed AMC's resume and checked their references with several other Housing Finance Agencies. The review put special emphasis on AMC's management of Section 8 and LIHTC units as well as compliance with the requirements of the respective programs.

The Development is located next to the DaVinci Center, a neighborhood, multi-purpose social service agency whose mission is to deliver needed services to residents of all ages in the North End of Providence and vicinity. They provide a variety of services including but not limited to job training, health services including nutritional evaluations and health screenings, and geriatric case management. SPC has met with the DaVinci Center about collaboration and the provision of services geared towards the residents of Charles Place.

The site has a HAP contract, which at the time the Purchase and Sales Agreement was executed, had rents that were well below market rents. As part of the transaction, SPC requested and received (i) a Mark-up-to-Market rent increase to the current HAP contract, and (ii) a twenty-year HAP contract subject to federal appropriations. They also received two significant waivers from HUD in regards to the Section 8 HAP Contract. The first waiver allowed SPC, as a for-profit developer, to seek a mid-contract mark-up-to-market and the new 20-year term. The second allows the new rents, which are based on post rehabilitation rents, to become effective at closing rather than post construction. Because of this second waiver, the borrower will begin paying principal and interest immediately rather than the more typical scenario of interest only during construction and the conversion to the permanent loan at stabilization.

The total development cost is approximately \$38.8 million. The primary sources of financing are a tax exempt loan of \$26,010,000 and equity from the sale of the 4% LIHTCs that come with tax exempt financing. The borrower has requested that Rhode Island Housing provide conduit tax exempt financing and allow Citibank to be the lender and servicer. Similar to a private placement, Citibank will bear all financial risk should the Borrower default on the loan.

Rather than the issuance of traditional tax-exempt bonds, Citibank has proposed a Tax Exempt Private Placement Back to Back (“Back to Back”) Loan structure. In this alternative structure, Citibank will make a direct loan to Rhode Island Housing (as “Governmental Lender”), which will in turn advance the loan to the borrower. This varies from the traditional structure in which Citibank would purchase tax exempt bonds issued by Rhode Island Housing, the proceeds of which would be loaned to the borrower. The Back-to-Back loan proceeds will be deemed tax exempt, and Rhode Island Housing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility. The Back-to-Back loan facility has been employed by other tax-exempt issuers and our bond counsel, Hawkins Delafield and Wood is familiar with the product.

The advantages to the borrower include lower cost of financing and a more expedited closing process. Citibank has provided a term sheet. The final sizing of the mortgage will be limited to 90% of the post rehabilitation value of the building. SPC will pay the full cost of issuance and all Rhode Island Housing fees associated with the transaction. Rhode Island Housing will charge an issuer fee and will receive an on-going servicing fee for the Citibank loan. Citibank commissioned the appraisal and provided a copy to Rhode Island Housing for our review.

The LIHTC investor is Alliant Capital, Ltd. Alliant is the investor in a number of other developments in the Rhode Island Housing portfolio. They have provided a Letter of Intent that outlines the business terms of the partnership. One item of note in regards to the tax credits is the project’s qualification for the 130% boost due to the site’s location in a qualified census tract (“QCT”). Under the tax code, rehabilitation expenditures incurred for existing buildings may be increased by 130% if the building is located in a QCT. HUD determines QCTs annually based on

the number of households within a given census tract with incomes below either 60% of area median income or the poverty rate. In 2014, the site was included in a QCT however; in 2015, the new designation did not include the site's census tract as a QCT. The Developer has provided an opinion from their tax counsel opining that the site is eligible for the 130% boost because Rhode Island Housing provided preliminary commitment for the bonds and financing in 2014. As long as the bonds are issued before July 2015, the building will qualify for the boost. We have received confirmation from Alliant that they have accepted this opinion.

The primary source of financing for the transaction will be (i) a permanent first mortgage from Citibank, (ii) equity from the sale of 4% LIHTC, (iii) a deferred developer fee, (iv) a seller credit, and (v) income from operations.

Ms. Ventura recognized Scott Alter of Standard Property Company who responded to the Commissioners questions regarding the project and thanked them for their consideration.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner McCleary, 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 financing through a note for the purpose of financing qualified housing developments throughout the state;

Whereas: The tax-exempt loan 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 conduit 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 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>
Charles Place Apartments	Standard Property Company	\$26,010,000

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 commitment of tax-exempt financing to a limited partnership to be formed by Standard Property Company, in an amount not to exceed \$26,010,000 for rental housing known as Charles Place Apartments located in Providence, Rhode Island to be financed, in part, by tax-exempt financing;

Resolved: That Rhode Island Housing hereby declares that the firm commitment of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue tax-exempt financing up to \$26,010,000 plus the required reserve funds and the related costs of issuance for the above-referenced

Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

Resolved, That, in order to fund the loan to Charles Place Apartments, Rhode Island Housing may enter into a loan arrangement with Citibank (the “Citibank Loan”) substantially in accordance with the terms outlined in the Request for Action to which this Resolution is attached; and

Resolved, That the Acting Executive Director or the Director of Finance (each, an “Authorized Officer”), acting singly, be and each hereby is authorized to enter into such documents with Citibank as it may require to evidence the Citibank Loan, including, without limitation, a funding loan agreement, note, and pledge and security agreement, each containing such terms and conditions as the Authorized Officer shall approve, each such determination to be conclusively evidenced by his/her execution thereof and each such determination is hereby fully and completely approved and adopted as the valid action of and by Rhode Island Housing, approved in all respects by the Commissioners of Rhode Island Housing;

Resolved, That the Authorized Officers be, and each of them hereby is, authorized, empowered and directed to take any and all action necessary to effectuate the purpose and intent of the foregoing resolutions, including, without limitation, (i) the execution and delivery on behalf of Rhode Island Housing of all such other agreements, documents and instruments and the performance by Rhode Island Housing thereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, and (ii) the consummation of the transactions contemplated hereby and the performance by Rhode Island Housing as required hereunder, as each of them shall determine, in his/her exclusive and reasonable judgment, to be necessary, appropriate or advisable, each such determination pursuant to the immediately preceding clauses (i) and (ii) to be conclusively evidenced by the taking of any such action by any Authorized Officer and each such determination is hereby fully and completely approved and adopted as the valid action of and by Rhode Island Housing, approved in all respects by the Board of Commissioners; and

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

- Evidence of the availability of a twenty-year HAP Contract for Charles Place Apartments at rent levels, in the judgment of Rhode Island Housing, sufficient to ensure project feasibility.
- Approval by Rhode Island Housing of all members of the development team.
- Syndication proceeds from the sale of 4% Housing Tax Credits in an amount sufficient to insure development feasibility.
- Approval by Rhode Island Housing of construction plans and specifications and construction contract documentation
- Approval by bond counsel that the proposed Back-to-Back loan will satisfy all required bond provisions.
- Rhode Island Housing approval of all Citibank loan documents.

- Recordation of a Rhode Island Housing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to Rhode Island Housing.
- 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 Acting Executive Director, any Deputy Director, and the Director of Finance, each acting singly, shall take any and all action they deem necessary to carry out the foregoing resolutions.

Authorization to Issue Tax-Exempt Back-to-Back Loan for Charles Place Apartments

Ms. Ventura made this presentation.

As part of the process of financing the acquisition and rehabilitation of Charles Place Apartments in Providence, staff has requested the Board of Commissioners to approve the issuance by Rhode Island Housing of a not to exceed \$26,010,000 tax-exempt note. Charles Place Apartments provides 200 units of housing of which 99%, will be affordable to households whose incomes are at or below 60% of median income. The developer, Standard Property Company (“SPC), will form a limited partnership, Standard CP Venture LP (the “Borrower”), which will be the owner of the project and the recipient of the loan.

This Request for Action is for authorization to enter in a Tax Exempt Private Placement Back-to-Back (“Back-to Back”) Loan structure with Citibank to fund the loan for Charles Place Apartments.

Rhode Island Housing typically funds loans of this type with proceeds from the issuance of tax-exempt bonds. However, SPC has proposed an alternative structure to our usual financing approach, using the Back-to-Back Loan Structure.

Under this structure, Citibank will make a direct loan to Rhode Island Housing and Rhode Island Housing will issue a tax-exempt note to Citibank evidencing the loan. Rhode Island Housing, in turn, will advance the loan proceeds to the Borrower under our tax-exempt bond volume cap that will otherwise go unused. The Back-to-Back Loan proceeds will be deemed to be tax exempt and Rhode Island Housing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility. Since the loan is considered to be a tax-exempt financing, the Development will then be eligible to receive 4% housing tax credits, which will generate approximately \$11 million in equity to fund development costs.

The Citibank loan will be non-recourse to Rhode Island Housing and the only security Rhode Island Housing provides is an assignment of its rights under the loan to Citibank. The Borrower Note and Mortgage will also be assigned to Citibank. Citibank will service the loan made to the Borrower, and will bear all financial risk should the Borrower default on the loan.

There are a number of advantages to the participants from this structure. The borrower receives a better interest rate, reduced transaction fees and a more expedited closing process. Citibank is able

to record this transaction as a loan for purposes of its evaluation under the Community Reinvestment Act (“CRA”). Rhode Island Housing will receive a one-time origination fee of 1.0% of the principal amount of the loan, plus an annual issuer fee equal to 25 basis points of the outstanding loan, without having to service the loan to the Borrower or bearing any financial risk from the Borrower’s default. SPC will pay all costs associated with the transaction.

Attachment B sets forth the terms of the loan agreement between Rhode Island Housing and Citibank and Attachment C sets forth the terms of the loan agreement between Rhode Island Housing and the Borrower.

Upon a motion made by Commissioner DeRentis and seconded by Commissioner McCleary the resolutions distributed as Attachment A to this RFA were unanimously adopted in the form presented to the meeting.

Approval of Additional Scope of Work for Organizational Development Consultant

Ms. Fields made this presentation.

At the February 19, 2015 meeting, the Rhode Island Housing Board of Commissioners authorized the engagement of Seasoned Partners (“Vendor”) to provide organizational and program development consulting services as set forth in the Request for Proposals and the proposal submitted in response thereto.

At the project kick-off meeting between Rhode Island Housing and the Vendor it became apparent that Rhode Island Housing would benefit from a third-party review of its management of federal and state awards, specifically including contract compliance, financial reporting and subrecipient monitoring.

In follow-up to that meeting, Rhode Island Housing has requested, and Vendor has agreed, to perform an additional element to the original Scope of Work subject to Board ratification.

Specifically, Rhode Island Housing requested Vendor to provide the following additional services (the “Additional Services”):

- Review Rhode Island Housing’s management of federal and state awards. The Additional Element will target contract compliance, program and financial reporting, and subrecipient monitoring. Vendor will interview key personal, map the relevant organizational structure, compile, and review existing collateral information to document control gaps, if any, in the management of federal and state awards. Upon completion of the review, Vendor will provide recommendations for improvements to the management process.

As a result of the additional element, Vendor will add an additional Expert Consultant to review Rhode Island Housing’s management of federal and state awards. The cost for the Additional Element is Six Thousand Dollars (\$6,000). An additional \$500 in travel expenses related to the work performed for the Additional Element is also required.

Upon a motion made by Commissioner McAllister and seconded by Commissioner Magaziner, the following resolution was unanimously adopted.

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

WHEREAS, At its meeting of February 19, 2015 the Board of Commissioners authorized the engagement Seasoned Partners to carry out a comprehensive review of its organizational structure and current programs and services pursuant to a Scope of Work and for an amount not to exceed \$30,000, plus expenses of \$2,500; and

WHEREAS, Rhode Island Housing has since requested Seasoned Partners to perform a review of its management of federal and state awards, specifically including contract compliance, financial reporting and subrecipient monitoring. (the “Additional Services”)

WHEREAS: The Additional Services are intended to ensure that Rhode Island Housing continues to effectively serve its mission and deploy its resources; and will complement Rhode Island Housing’s approved organizational and program development consulting; and

WHEREAS: Staff recommends the Additional Services be completed by Seasoned Partners to provide organizational and program development consulting services to Rhode Island Housing;

NOW, THEREFORE IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and hereby is authorized, to engage Seasoned Partners to perform the Additional Services in addition to the original approved Scope of Work at an additional cost not to exceed \$6,000, plus expenses of \$500.

RESOLVED: That the Acting Executive Director and any Deputy Director, each acting singly, be, and hereby are, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolutions, including without limitation the authority to negotiate terms of the engagement as he or she may determine are in the best interests of Rhode Island Housing, and to execute any and all agreements or documents as he or she deems necessary to carry out the foregoing.

Executive Session (i) Pursuant to RI General Laws 42-46-5(a)(2) for the purpose of discussing a potential litigation matter with outside legal counsel, and (ii) Pursuant to 42-46-5(a)(1) for Interviews of Candidate for Executive Director Position and Discussion of Job Performance and Character of Same, and Selection of Final Candidate

Chairman Cortés called for a closed session at approximately 9:05 a.m. pursuant to (i) R.I.G.L. Section 42-46-5 (a)(2) to discuss litigation matters and (ii) 42-26-5 (a)(1) for interviews and to discuss final candidate for Executive Director position.

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

The closed session ended at approximately 11:42 a.m. and the Chair reconvened the Board in open session.

A motion to seal the minutes of the closed session was duly made by Commissioner McAllister and seconded by Commissioner DeRentis. The motion was unanimously adopted by the Commissioners on a roll call vote, with each Commissioner voting aye.

The Chair stated that no votes had been taken in closed session regarding the Executive Director position.

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 11:45 a.m.

Respectfully submitted,

Barbara G. Fields
Acting Secretary and Acting Executive Director