

Draft

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

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, June 18, 2015 at 8:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Commissioners in attendance were Vice Chair Macky McCleary, Director of Business Regulations; Michael DiBiase, Director of Administration; Andrew Roos, designee for Seth Magaziner, General Treasurer and Stephen P. McAllister. James DeRentis was absent.

Also in attendance were: Barbara Fields, 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.

Vice Chair McCleary called the meeting to order at approximately 8:35 a.m. and appropriately noted that a quorum was present.

Approval of Minutes of Board Meeting Held on May 21, 2015

Upon a motion made by Commissioner Roos and seconded by Commissioner DiBiase, the following was unanimously adopted:

VOTED: That the Minutes of the Board Meeting held on May 21, 2015 be and hereby are approved.

Vice Chairman's Report

Mr. McCleary congratulated Ms. Fields and staff on the outstanding turnout at the *Meet and Greet* event held on May 21 at the State House with the General Assembly. Commissioner McCleary encouraged the board and staff to continue similar outreach efforts in other areas of the community.

Vice Chair McCleary thanked Amy Rainone, Director of Intergovernmental Relations for her work on Capitol Hill and commented that Ms. Rainone truly is a dedicated housing advocate for Rhode Island Housing.

Committee Reports

Vice Chair McCleary stated that the Management, Budget and Human Resources Committee met on June 12, 2015 to review the FY 2016 budget and noted that the recommendations of the Committee are incorporated into the proposed fiscal year 2016 budget. Mr. McCleary then specified that the recommendations of the Management, Budget and Human Resources Committee meeting would be addressed as part of item 8 of the agenda, Approval of the Fiscal Year 2016 Budget.

Executive Director's Review of Recent Activities and Trends

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

The Director informed the Commissioners that Seasoned Partners has provided an Executive Summary of its report *Rhode Island Housing: Assets & Opportunities*. The Director distributed copies to the Board and invited them to review the summary.

The national *Out of Reach* report that was released that week shows that Rhode Island continues to have some of the highest rents in the country (#18) and rents outpace RI wages. To be able to afford rents in Rhode Island, one would need to be making \$18.49 per hour. Ms. Fields explained that according to the report all of the New England states were in the top 25 for unaffordability. The report highlights the need for policymakers to invest in strategies that will ensure a long-term supply of affordable housing.

The Director also noted that mortgage volume continues to be ahead of 2014 on an YTD basis. Staff continues to produce in volume with 422 loans closed in 2015 compared to 217 during same timeframe in 2014.

Following outreach and training to Rhode Island Housing's nonprofit partners, the Agency successfully launched an online "First Look REO" purchase program on June 1. The online format provides a competitive, transparent electronic bid process for partners. Ms. Fields remarked that the site has generated a positive response and was pleased with the initial feedback.

Ms. Fields announced that the House approved the state's FY16 budget that includes most of the economic development initiatives that Governor Raimondo requested. The Governor asked Ms. Fields to testify in support of funding for \$3 million for an Affordable Housing Fund to be administered by Rhode Island Housing, and in support of the Rebuild Rhode Island Tax Credit, which will provide state tax credits to support the development of commercial, residential and mixed use developments with additional credits for projects addressing key priorities, including the development of affordable or workforce housing.

Ms. Fields stated that for the past year, Rhode Island Housing has been working with the Office of Housing and Community Development and the Division of Planning to develop the 2015-2020 RI Consolidated Plan (Con Plan) and the Analysis of Impediments to Fair Housing (AI).

The Con Plan serves as an application to HUD for funding of the Community Development Block Grant Program (CDBG), HOME Investment Partnerships Program (HOME), and Emergency Solutions Grant Program (ESG), and a planning document that sets priorities for allocating funding received through these programs throughout Rhode Island.

Finally, Ms. Fields showed a brief video of the Agency's project replacing the air conditioning on the rooftop for several areas of the Slade building is underway. On June 14, cranes were in the area to remove the old units, and bring up the new chiller and compressors. Work is expected to be completed in early July. The Commissioners commended the facilities department for the smooth transaction and for the inspiration of taping the process. The visual of the crane hoisting the unit was impressive.

Approval of Transfer of Physical Assets (TPA) and Bridge Loan Financing for Parkway Towers

Carol Ventura, Deputy Director presented this request.

This Request for Action ("RFA") is for Firm Approval of a Transfer of Physical Assets ("TPA") and Bridge Loan Financing for Parkway Towers Apartments (the "Development"), an existing elderly housing development originally financed by Rhode Island Housing in 1978. Ferland Corporation ("Ferland"), a Rhode Island Corporation currently serves as the general partner of the Development.

Parkway Towers is a 104-unit elderly development located in East Providence. The Development contains 95 one-bedroom units and 9 two-bedroom units. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract. The current HAP contract was renewed in 2003 and runs through July 16, 2023.

In 2001, the Development was refinanced under Rhode Island Housing's Preservation Program by Parkway Apartments, L.P. (the "Borrower"), a Rhode Island Limited Partnership formed to acquire and refinance the property with 4% low income housing tax credits (LIHTC). As part of the 2001 transaction, Ferland undertook approximately \$1,340,000 in repairs. The current reserves are adequately sized and exceed the minimum required in the existing Loan Agreement. The tax credit compliance period will expire at the end of 2016.

Ferland has requested a \$1,425,000 bridge loan (the "Bridge Loan") in order to redeem the interests of the investor limited partner, AMTAX, and the special limited partner, Protech 2002-C, LLC, which seek to exit the partnership in advance of the expiration of the tax credit compliance period. The financial benefits of the tax credits and depreciation losses have been substantially realized by the original tax credit investor. By negotiating the purchase of the limited partner interests ahead of the expiration of the 15-year compliance period, Ferland will ensure that they retain ownership of the Development. They will not be forced by the existing limited partners to market the property in year 15 and risk a sale of the Development on the open market to an unrelated entity. In this transaction, Ferland Corporation and Armand A. Ferland propose to purchase the limited partner interests of the ownership entity. At

transaction close, Ferland Corporation will be the general partner with a 90% interest and Armand A. Ferland will be a limited partner with a 10% interest.

In addition to the purchase of the limited partner interests, Ferland will use a portion of the loan proceeds to replace the aged and inefficient boilers and cover costs associated with closing the Bridge Loan.

As a result of the 2001 preservation transaction, there is an existing Rhode Island Housing first mortgage (“First Loan”) with a remaining principal balance of approximately \$2.5 million. The First Loan is currently insured under the FHA Risk Share Program. The Debt Service Coverage (“DSC”) of the First Loan is a healthy 1.84. The Bridge Loan has been sized to ensure that the Development continues to operate efficiently. The combined DSC on the existing First Loan and the Bridge Loan will be 1.16 in year one and it increases each year thereafter. All existing terms and conditions associated with the 2001 closing, including all of the affordability provisions, will remain in place. It is expected that the Development will be refinanced prior to the maturity date of the Bridge Loan. Borrower shall work with Rhode Island Housing in good faith to identify mutually acceptable terms for the refinance of the Development.

Ms. Ventura recognized James O’Leary, attorney for the applicant, and John Cooper, representing Ferland Corporation.

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

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

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

Whereas, The applicant (“Applicant”) listed below has presented an application to Rhode Island Housing requesting a Transfer of Physical Assets and taxable Bridge Loan financing to secure limited partnership interests in the development as set forth below:

| Development | Applicant | Bridge Loan |
|--------------------------------------|----------------------------|--------------------|
| Parkway Towers Apartments | Ferland Corporation | \$1,425,000 |

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

Whereas, Rhode Island Housing finds that:

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

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

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

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

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby approves the transfer of the investor limited partner interest in Parkway Apartments, L.P. by AMTAX HOLDINGS 172, LLC, and the special limited partner interest in Parkway Apartments, L.P. by Protech 2002-C, LLC to Ferland Corporation and Armand A. Ferland; and,

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby approves taxable Bridge Loan financing to Parkway Apartments, L.P. (the “Borrower”) in an amount not to exceed \$1,425,000 for Parkway Towers Apartments located at 10 Office Parkway, East Providence, Rhode Island.

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

- Acceptable appraisal by an independent appraiser demonstrating that the existing first mortgage and proposed bridge loan together do not exceed 90% of the as-is value of the property.
- Receipt by the Corporation of all application materials required in Phases 2 and 3 of the Regulations Governing Proposed Prepayments and Transfers, with the exception of such requirements as may be waived or modified by the Executive Director, consistent with the nature of this transaction and the protection of the interests of the Corporation.
- Approval by Rhode Island Housing of construction plans and specifications and construction documentation relating to the boiler replacements.
- Legal fees and any other costs incurred by the Lender in connection with the transaction to be paid by the Borrower.
- Borrower shall work with Rhode Island Housing in good faith to identify mutually acceptable terms for the refinance of the Development.
- Completion of all items required for closing in accordance with normal underwriting and processing requirements.

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

Approval of FY15 Funding for RI LISC Recoverable Grant Fund

Ms. Ventura made this presentation.

This Request for Action (“RFA”) is to approve \$500,000 in FY15 funding to Rhode Island Local Initiative Support Corporation (“RI LISC”) for the recapitalization of its Recoverable Grant Fund to support Rhode Island’s community development corporations (“CDCs”) in their efforts to rebuild their neighborhoods through the creation of affordable homes for individuals and families with low or moderate incomes.

Rhode Island Housing has been collaborating with RI LISC for more than 20 years. LISC is a national financial intermediary dedicated to community revitalization and invests in an array of initiatives tied to low and moderate-income housing, public safety, childcare facilities, financial opportunity centers, and community economic development. In the early 1990’s, Rhode Island Housing was instrumental in helping to create a Rhode Island LISC office, and the two organizations have worked together to rebuild many hard hit Rhode Island neighborhoods with our mutual support for local CDCs. One of the great advantages of collaborating with LISC is that our funds are made more effective through pooling with the contributions from many private companies and philanthropic organizations.

RI LISC’s Recoverable Grant Fund is a revolving loan fund that provides predevelopment funding to CDCs to cover necessary expenses, such as architectural fees or appraisal fees, during the early stages of the development process. When the project reaches final closing the financial assistance is repaid to RI LISC and is made available to other eligible developers. Without the early investment of funds from the Recoverable Grant Fund, many important developments would not have moved forward.

The Recoverable Grant Fund was originally capitalized in 1991 with an investment of \$700,000 from Rhode Island Housing, and over the years received total investments of about \$1.6 million. Since then, this investment generated about 140 recoverable grants to more than 30 separate Rhode Island CDCs and non-profit developers, totaling more than \$6.4 million and leveraging over \$170 million in total development. Most of the projects supported with the Recoverable Grant Fund eventually receive Rhode Island Housing assistance. Thus, the LISC pool is an outstanding feeder system for Rhode Island Housing. The Recoverable Grant Fund has supported the development of several thousand affordable homes throughout the state.

At present, the Recoverable Grant Fund has a balance of about \$400,000. At the same time, RI LISC has requests for predevelopment assistance for proposed developments that will generate nearly \$10 million in development activity in the state. Staff recommends that RI LISC be provided \$500,000 in funding from the FY 2015 budget to recapitalize the Recoverable Grant Fund.

Ms. Ventura recognized Jeanne Cola, Executive Director of LISC who thanked the Commissioners and Rhode Island Housing staff for their continued assistance and support.

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, RI LISC plays a critical role in the development of affordable homes for low and moderate income families and individuals along with comprehensive community revitalization; and

Whereas, RI LISC has made a funding request to Rhode Island Housing for \$500,000 for its Recoverable Grant Fund; and

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

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

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

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, that \$500,000 in FY15 funding for RI LISC RI for its Recoverable Grant Fund is hereby approved; and

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

Authorization of Establishment of Rhode Island Housing Receivership Loan Program

Ms. Ventura presented this request.

This Request for Action is for authorization to establish a Revolving Construction Loan Program for the City of Providence Receivership Program (the “Program”). The Program will support the city in addressing vacant and blighted properties through the City’s housing court receivership process.

The City of Providence has several hundred vacant and abandoned 1-4 residential structures in many of its neighborhoods that are a blighting influence. In response, the City has by ordinance, and pursuant to state law, given the Providence Housing Court authority to appoint a receiver to abate conditions in those abandoned and vacant buildings in the City that are determined to be a public nuisance. Mayor Elorza has directed that rehabilitation of these vacant and abandoned properties under the City’s receivership program be a priority of his administration.

In January 2015, Rhode Island Housing staff met with Providence officials to discuss ways in which Rhode Island Housing could assist in the City’s effort. As a result of the discussion, the City has asked that Rhode Island Housing create and administer a loan pool to provide capital to court-appointed receivers to redevelop vacant, blighted and abandoned properties.

Staff has worked to create a revolving loan program that addresses the needs of the City while mitigating potential lending risk to Rhode Island Housing. A draft term sheet of the proposed Program is attached as Attachment A. Proposed Program guidelines are set forth in Attachment B.

Staff recommends the commitment of up to \$3 million in lending authority for the Program. Applications under the Program will be accepted on a rolling basis and will be underwritten in accordance with the term sheet in Attachment A. It is anticipated that the credit facility will allow for approximately 25 loans at any given time based upon an average loan amount of \$122,500 and a projected “as completed” value of \$170,000.

The goal of the Program is to leverage additional private capital through other financial institutions to match Rhode Island Housing’s lending commitment dollar for dollar. These additional leveraged funds will be managed in accordance with the terms outlined in this

Request for Action with a servicing fee applied by Rhode Island Housing for management of the fund.

The rate for each individual mortgage will be set at the time of the individual loan closing. Principal and interest will accrue during the term of the loan and is due and payable upon sale of each property. The interest rate for each mortgage under the Revolving Construction Loan will be set at the one-year LIBOR plus 6.75%, with an initial rate floor of 7.50%. Program terms may be adjusted through Program Bulletin at the discretion of Rhode Island Housing.

Upon a motion made by Commissioner DiBiase and seconded by Commissioner Roos, the following resolution was unanimously adopted in the form presented at the Board meeting that is attached as part of the June 18, 2015 board package.

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

Whereas, Rhode Island Housing (the “Corporation”) is authorized to make loans to sponsors for such developments as in the judgment of the Corporation have promise of supplying well planned, well designed single family and two family homes and condominiums which will provide housing for low and moderate income persons or families or others in locations where there is a need for such housing, and to address and eliminate blighted conditions in communities around the state;

Whereas, The Corporation is authorized to provide permanent financing with assistance, as applicable, to homebuyers;

Whereas, the city of Providence has requested that Rhode Island Housing create a construction loan product for Receivers that are rehabilitating vacant, blighted and abandoned properties to be known as City of Providence Receivership Program (the “Program”); 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 Receivers undertaking the proposed rehabilitation of vacant, blighted and abandoned properties in the city of Providence pursuant to the Program will supply well-planned, well designed housing for persons or families of low- and moderate-income and that these Receivers are financially responsible;

(4) That the proposed activities to be undertaken under the Program will be of public use and will provide a public benefit;

(5) That the development will be undertaken under the Program will be under the authority of and consistent with the provisions of Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved, That the Corporation be and hereby is authorized to create the City of Providence Revolving Construction Loan Program, structured generally in accordance with the description contained herein, with such changes as the Executive Director or the Deputy Director may, in their sole discretion determine to be necessary or advisable.

Resolved, That the Executive Director or the Deputy Director, each acting singly, be and hereby is authorized, empowered and directed to take any and all actions as each in his/her sole discretion shall deem necessary or advisable to carry out the foregoing resolution.

Approval of FY16 Budget

Kara Lachapelle, CFO, made this presentation.

A meeting of the Management, Budget and HR Committee (the “Committee”) of the Board of Commissioners was held on June 12, 2015. At that time staff made a presentation to the Committee regarding projected income and proposed expenses for FY 2016. Attached as Exhibit A is a statement of projected revenues and expenses for FY 2016. Attached as Exhibit B is a detailed breakdown of proposed operating expenses, broken down by line item. These materials were provided to the Committee.

Staff and the Committee engaged in discussions regarding the assumptions underlying the proposed budget.

The Committee asked a number of questions regarding the proposed budget, including the reasons for the increase in total operating expenses and the proposed increase in the salary line item of 3.0% to fund merit-based salary increases during FY 2016. In addition, the Committee explored how compensation for Rhode Island Housing employees compared to compensation offered to state employees. Following the discussions, the Committee recommended that the proposed FY 2016 budget be referred to the full Board for adoption. A copy of the minutes of the Committee’s meeting is attached as Exhibit C.

The Resolution set forth as Attachment D approving the FY 2016 proposed budget is recommended for approval.

Vice Chair McCleary suggested that an annual report highlighting turnover and diversity be included in future reports. Ms. Fields assured the Commissioners that those statics are available and will be provided to the Board.

Upon a motion made by Commissioner Magaziner and seconded by Commissioner McAllister the following resolution was unanimously adopted along with the complete FY 2016 Budget proposal that is attached as part of the June 18, 2015 board package.

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

Resolved: That the Proposed Budget Fiscal Year 2016 Budget of Rhode Island Housing as set forth in attachments A and B as presented at this meeting is hereby approved.

Approval of Designation of Registered Agent

Michael Milito, Deputy Assistant Director gave this presentation.

This Request for Action is for the designation of a registered agent and registered office for Rhode Island Housing.

Rhode Island corporations must inform the Secretary of State, Corporations Division, of any changes of the identity and address of its registered agent. The current registered agent for Rhode Island Housing is Richard Godfrey, the prior executive director. The Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws gives the Board of Commissioners authority to designate agents of the organization. Staff recommends that Barbara G. Fields, the current Executive Director, be designated as the registered agent for Rhode Island Housing.

The attached resolution designating Barbara G. Fields, Executive Director, as registered agent of Rhode Island Housing, with an address of 44 Washington Street, Providence, RI, 02903 is recommended for approval.

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

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

Resolved: That Barbara G. Fields, the Executive Director of Rhode Island Housing and Mortgage Finance Corporation, (the “Rhode Island Housing”) be and hereby is designated as the registered agent of Rhode Island Housing, with an address of 44 Washington Street, Providence, Rhode Island 02903.

Resolved: That the Chair or Vice Chair of Rhode Island Housing, each acting singly, be and hereby is authorized to cause this designation to be filed with the Office of the Secretary of State and take such further actions as may be required in connection therewith.

There being no further business to discuss, a motion was duly made by Commissioner McAllister and seconded by Commissioner Roos to adjourn the open meeting at approximately at 9:16 a.m.

Respectfully submitted,

Barbara G. Fields
Secretary and Executive Director