

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

Commissioners in attendance were Chair Nicolas P. Retsinas; Vice Chair Macky McCleary, Director of Business Regulations; Michael DiBiase, Director of Administration; Kelly Rogers, designee for Seth Magaziner, General Treasurer; Stephen P. McAllister and Kevin Orth.

Also in attendance were: Barbara Fields, Executive Director; Carol Ventura, Deputy Director; Peter Walsh, Deputy Director; Kara Lachapelle, Director of Finance; Leslie McKnight, Director of Loan Servicing and Asset Management; Eric Shorter, Director of Development; Peter Pagonis Director of Homeownership; and Michael Milito, Deputy Assistant Director and Counsel.

Steve 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.

A quorum being present, Chairman Retsinas called the meeting to order at approximately 8:30 a.m.

Approval of Minutes of Board Meeting Held on October 15, 2015

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

VOTED: That the Minutes of the Board Meeting held on October 15, 2015 be and hereby are approved.

Chair's Report

There was no Chair's report.

Executive Director's Review of Recent Activities and Trends

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

Homeownership. Ms. Fields noted that through 11/13/15 mortgage volume is at \$187 million, surpassing calendar year's 2014 total volume of \$132 million. The top five lenders

account for more than half of all lender volume. Average loan amount is up 5%. Demand for the Ocean State Grad Grant program remains strong. Since its launch, Rhode Island Housing has helped 14 homebuyers purchase their first home in communities across the state. Ms. Fields reported that 14 closed loans equaled \$84,311 in assistance and 78 applications provided \$465,393 in assistance. Approximately half of the closed loans are for homebuyers with degrees from local colleges.

Rhode Island Housing has requested approval from the Department of Treasury to utilize approximately \$2.7 million in recycled Hardest Hit Funds to provide down payment assistance for the purchase of foreclosed and distressed properties in 10 targeted communities. We expect a response in November.

Loan Servicing. Ms. Fields provided an update on loan delinquencies. Staff continues to see positive signs regarding portfolio performance. Through Oct. 2015, total single-family delinquencies are down by \$6.5 million compared to the same period in 2014.

Development. Ms. Fields noted that Rhode Island Housing is one of nine states approved to pilot the new Federal Financing Bank (FFB) multifamily risk-sharing loan program. Staff has identified an initial 20 developments for participation in the program, with three loans expected to close in January 2016.

Resident Services. Rhode Island Housing received the designation of High Performer for the administration of the Housing Choice Voucher Program from HUD. The Agency received high marks for expanding housing opportunities, HQS (Housing Quality Standards) enforcement and control, timely annual certifications and correct tenant rent calculations. Ms. Fields congratulated Resident Services staff on the designation.

Staff continues to review Continuum of Care invoices and since May 1 has evaluated 145 invoices and paid out \$547,971 to homeless providers. We expect to process payments of an additional \$58,100 in the next month. Staff continues to work with the RICoC sub-committees to complete the NOFA application for funding year 2015 that is due November 20.

Policy and Government Relations. Rhode Island Housing scheduled a Constituent Affairs Training for December, and has expanded the attendees to include representatives of the Governor's office, General Assembly and other statewide elected officials, in addition to the Congressional delegation.

Ms. Fields noted that Board Chair Retsinas and Commissioners McCleary and Orth joined her and key staff at a meeting with Commerce Secretary Pryor to present the preliminary results of the HousingWorks research. The presentation expanded on the information presented to the Board at the October meeting and it is expected that the final study will be completed by the end of the year. Commissioner McCleary noted that the presentation and preliminary report was well done and well received.

Finance. Ms. Fields briefly reviewed first quarter financial results. Net revenues are ahead of budget by \$1.4 million. This is primarily due to timing of certain expenses and an increase in single-family loan production.

Commissioner Orth asked how Rhode Island Housing's foreclosure rates compare to the State's number. Kara Lachapelle, CFO, responded that the State's numbers have increased by three basis points, while the Agency's foreclosures year to date are down by 27 points. Rhode Island Housing continues to actively work with its customers to alleviate foreclosure initiations.

Chairman Retsinas commended Ms. Fields on the report and expressed his appreciation for the new format.

Approval of External Charitable Donations and Contributions

Ms. Fields made this presentation.

Commissioner Rogers recused from the discussion or vote of this matter based on Treasurer Magaziner's involvement as a board member of Crossroads Rhode Island, one of the organizations sponsoring an event covered by the action.

This Request for Action is for approval and ratification of Charitable Donations and Contributions 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 events for the month of November 2015 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 or 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 furthers our corporate purposes by encouraging and stimulating 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).

- The Providence Preservation Society's 2015 Providence Symposium provided an opportunity to examine Providence's neighborhoods, with a focus on homeownership, upward mobility, and community development, among other topics. Two Rhode Island Housing staff members presented at the event.
- The Rhode Island Mortgage Bankers Association represents many of Rhode Island Housing's single-family loan origination partners. Their business allows Rhode Island Housing to fulfill its mission of making credit available to low- and moderate-income homebuyers.
- Crossroads Rhode Island is a non-profit organization that provides housing and services to homeless persons and families in Rhode Island. Crossroads partners with Rhode Island Housing in many capacities, including the Continuum of Care Program.
- The Childhood Lead Action Project is a Rhode Island-based non-profit dedicated to eliminating childhood lead poisoning. Rhode Island Housing and the Childhood Lead Action Project work together to promote Rhode Islanders' access to healthy homes.
- The Greater Providence Chamber of Commerce represents the Rhode Island business community. Rhode Island Housing is an active member. Through its relationship with the Chamber, Rhode Island Housing encourages the investment of private resources to stimulate the production and preservation of affordable housing, as well as the development of new partnerships with lenders, brokers, realtors, contractors, and other housing-related businesses.
- The Rental Housing Association (RHA) is a regional trade association representing owners and managers of rental units, including subsidized housing. A number of RHA members and affiliated service providers operate in Rhode Island and are partners of Rhode Island Housing.

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

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

Whereas, 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.

Approval of Staffing for the Homeownership Division and Loan Servicing and Asset Management Division

Peter Walsh, Deputy Director provided information on this request.

This Request for Action (RFA) is for approval to increase staffing in the Homeownership and Loan Servicing and Asset Management Divisions. The Homeownership Division will add one full-time equivalent (FTE) and the Loan Servicing Division will add two FTEs. These changes will permit Rhode Island Housing to adequately respond to increased single-family lending activity, handle an increased volume of properties under the Madeline Walker tax lien program, prepare to service single family loans for other lending institutions, and to expand compliance oversight within the multifamily asset management area to include HOME Program assisted properties.

This RFA is brought to the Board in accordance with the provisions of the Quasi-Public Corporations Accountability and Transparency Act, chapter 155 of title 42 of the Rhode Island General Laws.

Homeownership Division

Staff recommends the addition of one full-time underwriter to the Homeownership Division to support increased lending activity from Rhode Island Housing's lender partners. As of September 30, origination volume has increased by nearly 90% over the previous year. The core underwriting staff of three has handled the additional volume but turnaround time has slowed significantly. We are concerned that we would be unequipped to sustain further growth without additional personnel. Origination fees for first mortgages and mortgage credit certificates associated with the increased volume easily support the cost associated with an additional underwriter. This position is a grade level 8 with a salary range of \$46,500 to \$70,000.

Loan Servicing and Asset Management Division

Two staffing changes are proposed for the Loan Servicing and Asset Management Division. First, staff recommends the addition of a new full-time Assistant Director/Single Family. Growth in Rhode Island Housing's single family loan origination area has led to greater portfolio management needs (for example, in default management and regulatory reporting). In addition, with so many Madeline Walker tax liens having exceeded their five-year redemption periods, Rhode Island Housing has the need to move a considerable number of homeowners through a lengthy judicial foreclosure process. The complexity, volume, and management demands of this function have increased over time as the program has developed. The additional oversight of an Assistant Director for single family would be especially well timed in light of Rhode Island Housing's strategic vision to service single family loans for other institutions. This position is a grade level 14 with a salary range of \$72,500 to \$107,500.

Second, staff recommends creating a new full-time Compliance Specialist position. This staff member will be responsible for monitoring and overseeing the HOME Program portfolio, which consists of 1,394 apartments. The position will focus primarily on conducting file reviews and annual inspections for Housing Quality Standards in accordance with HOME Program rules and regulations. These functions were previously conducted by HOME Program staff in the Development Division. However, we recently received recommendations from an external consultant indicating that this position would be better aligned with the functions and expertise of the Loan Servicing and Asset Management Division. The position is a grade level 7 with a salary range of \$42,500 to \$63,000.

Commissioner McCleary and Commissioner Orth commented that as compliance issues and reporting has become more complex, it is prudent to address the staffing situation in a timely manner.

Upon a motion made by Commissioner McCleary 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 the position of Underwriter in the Homeownership Division be established.
- Resolved,** that the position of Assistant Director for the Loan Servicing and Asset Management Division be established.
- Resolved,** that the position of Compliance Specialist for the Loan Servicing and Asset Management Division be established.
- Resolved,** that as a result of the foregoing resolutions, the number of approved Full Time Employees (FTE) be increased by a total of three.
- 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.

Approval of Repeal of HOME Program Regulations

Carol Ventura, Deputy Director presented this request.

The Rules and Regulations of the Corporation Applicable to the HOME Investment Partnership Program (hereinafter, the “Rule”) were adopted by Rhode Island Housing in 2001. The Rule was originally intended to describe a federal affordable housing production program, through which Rhode Island Housing provides financing for the acquisition, rehabilitation and new construction of rental and homeownership opportunities. The HOME Program is an initiative of the U.S. Department of Housing and Urban Development (“HUD”) and is governed by federal regulations codified at 24 C.F.R. Part 92.

Through this Request for Action, Staff seeks Board approval to initiate the repeal of the Rule so as to eliminate any actual or perceived overlap or duplication as between Rhode Island Housing’s published regulations and the regulations promulgated by HUD. Staff believes that Rhode Island Housing can effectively notify stakeholders of future funding opportunities and selection criteria by means of program bulletins.

Staff recommends the approval of the attached resolution, which authorizes the publication of the attached Public Notice of Proposed Rulemaking and Concise Summary of Proposed Non-Technical Amendments. Following notification of the Office of Regulatory Reform and receipt of approval, such publication will have the effect of initiating the repeal process with respect to the Rule.

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

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

WHEREAS: Rhode Island Housing adopted the Rules and Regulations of the Corporation Applicable to the HOME Investment Partnership Program (hereinafter, the “Rule”) in 2001; and

WHEREAS: Staff recommends the repeal of the Rule so as to avoid overlap or duplication, or any appearance thereof, between agency regulations and regulations promulgated by the U.S. Department of Housing and Urban Development;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing is authorized to publish for public comment the attached Public Notice of Proposed Rulemaking together with the Concise Summary of Proposed Non-Technical Amendments, each substantially in the form presented, and file any other rulemaking notice or document that may be required pursuant to the State of Rhode Island Administrative Procedures Act or other state statute, regulation, or executive order; and

RESOLVED: That the Executive Director and each 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.

Approval of Amendments to Agency Policy on Credit Card Use

Mr. Milito, Deputy Assistant Director, gave this presentation.

This Request for Action is for approval of amendments to Rhode Island Housing’s Policy on Credit Card Use (the “Policy”). The Policy was first adopted by the Board of Commissioners on December 11, 2014 pursuant to the Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the “Act”).

At its December 2014 meeting, the Board adopted a Handbook of Policies and Procedures to Ensure Accountability (the “Handbook”) pursuant to the Act, which included the Policy as Section D. The Board determined that it is appropriate for a limited number of specified employees of Rhode Island Housing to make purchases on behalf of the organization, such as instances where payment cannot be made by check request, or where the purchase would require the employee to advance significant personal funds in advance of reimbursement, such as airfare or hotel accommodations for business purposes.

As originally adopted, the Policy sets forth the criteria to be followed regarding eligibility for issuance of a corporate credit card, and the guidelines regarding use and security of corporate credit cards. Staff recommends that this Policy be amended (i) to include specific policies regarding issuance and use of a corporate credit card by the Executive Director and (ii) amend

the provisions regarding maintenance and security of corporate credit cards in light of Rhode Island Housing's experience regarding use of cards since the Policy was first adopted.

A brief discussion followed the presentation. The Commissioners discussed the benefits of a locked location versus a secure location for security purposes. The Commissioners expressed the belief that keeping the card with the designated person is a secure location. Commissioner DiBiase suggested that the resolution be amended to allow that the credit card be carried by the authorized individual be designated as a "secure location."

Upon a motion made by Commissioner McCleary and seconded by Commissioner Rogers the following resolution was unanimously adopted as amended.

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

Whereas, The Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the "Act") requires all Rhode Island quasi-public corporations to maintain certain governance documents, policies, and procedures to promote transparency and accountability; and

Whereas, Rhode Island Housing is a "quasi-public corporation" within the meaning of the Act; and

Whereas, Staff have identified the need to supplement Rhode Island Housing's policy with respect to credit card use and security; and

Whereas, such amendment is in furtherance of the objectives of the Act;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That the amendment set forth as Attachment A hereto is hereby adopted, ratified, and confirmed; 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 Resolutions.

Approval of Amendments to Agency Policy on Charitable and Civic Donations

Michael Milito presented this request.

This Request for Action is for approval of amendments to Rhode Island Housing's Policy on Charitable and Civic Donations (the "Policy"). The Policy was first adopted by the Board of Commissioners on December 11, 2014 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.

Rhode Island Housing is asked on occasion to financially support programs sponsored by organizations that are engaged in business or other activities consistent with the agency's public purposes. In addition, we are often invited by our community partners to attend or gain recognition at community events, such as annual meetings or fundraisers, where Rhode Island Housing's organizational presence is necessary or desirable.

At its December 2014 meeting, the Board adopted a Handbook of Policies and Procedures to Ensure Accountability (the "Handbook") pursuant to the Act, which included the Policy as Section C. As originally adopted, the Policy sets forth the permissible dollar amounts and procedures for approval and ratification of charitable and civic contributions.

The Management Committee of the Board requested that staff include a statement of criteria that Rhode Island Housing will consider in evaluating requests for charitable and civic donations. The attached revised Policy includes Rhode Island Housing's general criteria for determining whether a contribution is a reasonable and appropriate expense of the agency. The new language provides that proposals will be considered for funding to the extent that they advance the interests of Rhode Island Housing in one or more of the following ways:

Partnership Support – the extent to which the contribution supports a partner or business associate of Rhode Island Housing; **Policy Support** – the extent to which the contribution advances the mission, policies or values of Rhode Island Housing; and **Publicity** – the extent to which the contribution provides an opportunity for the agency to showcase its work, cultivate new partnerships, or attract investment in its programs.

Upon a motion made by Commissioner McCleary 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, The Quasi-Public Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the "Act") requires all Rhode Island quasi-public corporations to maintain certain governance documents, policies, and procedures to promote transparency and accountability; and

Whereas, Rhode Island Housing is a "quasi-public corporation" within the meaning of the Act; and

Whereas, Staff have identified the need to supplement Rhode Island Housing's policy with respect to charitable and civic donations to clarify its criteria for approving requests; and

Whereas, such amendment is in furtherance of the objectives of the Act;

NOW, THEREFORE, IT IS HEREBY:

Resolved, That the amendment set forth as Attachment A hereto is hereby adopted, ratified, and confirmed; 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 Resolutions.

Approval of Firm Commitment of Financing for Aaron Briggs/Cherry Hill

Eric Shorter, Director of Development presented this request and Commissioner Orth, Chair of the Credit Committee offered additional observations.

This Request for Action (“RFA”) is for Firm Approval of financing for Cherry-Briggs Apartments (the “Development” or “Cherry-Briggs”) which will consist of Aaron Briggs and Cherry Hill, two existing elderly multifamily properties in Providence and Johnston, respectively. Preservation of Affordable Housing (“POAH”) is the developer (the “Developer”). POAH previously received preliminary approval for financing of both Aaron Briggs and Cherry Hill as stand-alone developments. They have since determined that the most cost effective plan is to refinance both of these developments and combine them into one ownership entity. In total, Cherry-Briggs will include 160 apartments in two locations that are approximately 4 miles apart.

Aaron Briggs is an elderly and disabled development with 88 apartments located on Cranston Street in Providence. Originally constructed in 1977 and financed by Rhode Island Housing, Aaron Briggs consists of one three-story steel frame building with a brick façade. It contains 80 one-bedroom and 8 two-bedroom apartments as well as a community room and centrally located management office. POAH purchased Aaron Briggs from the original developer in April 2015. Rhode Island Housing provided a one-year bridge loan to facilitate the acquisition. Section 8 rental assistance has been provided through a Housing Assistance Payment (HAP) contract, which POAH recently renewed through 2035. POAH received preliminary approval from the Rhode Island Housing Board of Commissioners for the refinancing of Aaron Briggs as a stand-alone development in December 2014. Rhode Island Housing provided a one-year bridge loan to POAH to finance the acquisition of the property in May of 2015. POAH made the decision to work toward combining Aaron Briggs with Cherry Hill rather than seeking permanent financing as a stand-alone deal.

Cherry Hill is a 72 unit elderly and disabled development located on Greenville Avenue in Johnston. Also built in 1977, Cherry Hill consists of four residential buildings and a management office. There are 66 one-bedroom and six two-bedroom apartments. It was initially constructed in 1977 and was preserved in 2001 by the original owner who undertook a moderate rehabilitation of the property at that time. In 2004, POAH purchased the property with financing from Rhode Island Housing but did not undertake additional rehabilitation. The site also benefits from a HAP contract, which POAH recently renewed through 2035. POAH received preliminary approval from the Rhode Island Housing Board of Commissioners for the

refinancing of Cherry Hill as a stand-alone development in June 2014. It did not move forward to firm commitment and closing because it had a financing gap.

POAH has been working with their architect, Union Studios Architects and their general contractor, NEI General Contractors to assess the physical condition of both properties and identify a scope of work. Both Aaron Briggs and Cherry Hill are providing much needed housing and both are due for an infusion of capital to address deferred maintenance. Considered a moderate rehabilitation under HUD's definition, the scope of work is nonetheless comprehensive. Much of the work is focused on envelope improvements and energy efficiency.

At Aaron Briggs the proposed renovations include: new energy efficient windows, elevator upgrades, insulation and new cement board siding, roofing, repointing of the façade, common area and exterior lighting improvements, improved building ventilation, fire alarm and fire protection upgrades, as well as kitchen and bath upgrades to the ADA apartments.

Cherry Hill renovations include: window replacement, roof replacement, new siding and insulation, replacement of the boilers and hot water heaters, replacement of water closets and kitchen and bath upgrades to the ADA apartments.

POAH is working with National Grid to undertake energy improvements at both sites using their Multi-Family Energy Wise Program. This work includes new LED lighting in common areas, air sealing, attic insulation, new controllers for HVAC equipment and the installation of water saving showerheads and faucet aerators. POAH will receive rebates from National Grid for the high efficiency boilers and hot water equipment.

Based on the appraisal commissioned by Rhode Island Housing and confirmed by the market study, which was commissioned by the syndicator, the market rents are lower than the HAP rents for both one and two bedrooms at Aaron Briggs and for the two bedroom units at Cherry Hill. Rhode Island Housing underwrites to the lower of HAP rents or market rents. The primary source of permanent financing will be a 40-year mortgage supported by the lower of HAP or market rents. Additional sources of funds include equity from the sale of 4% low income housing tax credits, a purchase note from the seller, a deferred developer fee, existing reserve funds, a Housing Preservation Program loan, income from operations and a construction loan.

The 4% low income housing tax credits are generated by the issuance of tax exempt bonds. The financing plan assumes that, upon construction completion, the project will support \$10,700,000 permanent debt. This may involve (i) the partial paydown of the tax-exempt construction loan to \$10,700,000 and conversion to permanent, amortizing debt, or (ii) the full repayment of the construction loan and a \$10,700,000 taxable permanent loan funded through the Treasury-HUD Federal Financing Bank ("FFB") HFA Multifamily Risk Sharing Loan Financing Initiative (the "FFB Initiative"). As part of its final due diligence, Rhode Island Housing will work with its financial consultant cFX to evaluate the financing options to determine what will be most advantageous for both Rhode Island Housing and the Development. Any costs savings realized at closing will be used to increase the scope of work.

The construction period for the Development is estimated to be 12-18 months from closing until conversion to the permanent loan.

This RFA requests firm approval for a tax-exempt mortgage of up to \$14,200,000 of which \$10,700,000 may be converted to permanent debt. Alternatively, this RFA also requests firm approval to fund the \$10,700,000 permanent loan with a loan through the FFB Initiative.

Commissioner Orth applauded staff and Rhode Island Housing for its flexibility and willingness to complete the deal.

Mr. Shorter introduced Aaron Gornstein, Executive Director of POAH who thanked the Commissioners and staff for their support and time. Mr. Gornstein also expressed his appreciation for the Governor and the Administration for the allocation of funds for the Preservation Program.

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

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

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

Whereas, Rhode Island Housing intends to issue tax-exempt bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, Said bonds shall have a term not to exceed forty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

Whereas, 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>
Cherry Briggs	Preservation of Affordable Housing	\$14,200,000

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

Whereas, Rhode Island Housing finds that:

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

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

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

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

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby declares firm approval for tax exempt mortgage financing in an amount not to exceed \$14,200,000 to Preservation of Affordable Housing or an affiliated partnership (the “Borrower”) for rental housing known as Cherry Briggs located at 301 Cranston Street in Providence and 204 Greenville Avenue, Johnston, Rhode Island.

Resolved, That Rhode Island Housing hereby declares that the firm 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 \$14,200,000 in permanent mortgage funds, plus the required bond reserve funds, and the related costs of issuance for the bond issue for the above-referenced develop pursuant to the

Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder. This resolution shall take effect immediately upon adoption.

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby declares firm approval for first mortgage financing to a limited partnership to Borrower, in an amount not to exceed \$10,700,000 for rental housing known as Cherry Briggs located at 301 Cranston Street in Providence and 204 Greenville Avenue, Johnston, Rhode Island to be financed, in part, with taxable funds made available through the Treasury-HUD Federal Financing Bank HFA Multifamily Risk Sharing Loan Financing Initiative

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.
- Syndication equity from the sale of Housing Tax Credits in an amount sufficient to achieve project feasibility.
- 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.
- Level I FHA Risk-Sharing approval from HUD for 50% of the first mortgage.
- Execution and delivery by the Developer of a Construction Completion Guaranty in form and scope satisfactory to Lender.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.

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

Approval of Preliminary Commitment of Financing for Oxford Gardens/Oxford Place

Mr. Shorter made this presentation with additional comments provided by Commissioner Orth.

This Request for Action (“RFA”) is for Preliminary Approval of financing for Oxford Gardens & Place (the “Development”) which will consist of Oxford Gardens and Oxford Place, two existing multifamily properties in Providence. Preservation of Affordable Housing (“POAH”) is the developer (the “Developer”). POAH intends to purchase both properties from the current owner and combine them into one ownership entity. In total, the new Development will

contain 128 apartments. The two properties are adjacent to one another in the Lower South neighborhood of Providence.

This 128-unit development will combine Oxford Gardens, comprised of nine townhouse style family rental buildings, with one 6-story mid-rise building for seniors at Oxford Place. POAH has drafted a Purchase and Sales Agreement for both properties and is proposing to finance the transaction of the properties with 4% LIHTCs, tax exempt bonds, and HPPP funds to fund acquisition and rehabilitation of these properties as one new entity.

Oxford Gardens is a 50-unit family development located on 197 Prairie Avenue in Providence. Oxford Gardens consists of nine townhouse style residential buildings. There are 16 two-bedroom and 34 three-bedroom apartments. It was initially constructed in 1989. The development has been struggling financially and physically. The buildings are in need of a substantial infusion of capital.

When originally financed, Oxford Gardens was awarded a twenty-year State Rental Assistance Program (“RAP”) contract that provided rental assistance for all 50 apartments. Rhode Island Housing assumed financial responsibility for the RAP subsidies in year 3 of the original contract and has been paying the subsidies since 1993. The original RAP contract expired several years ago. Rhode Island Housing has been working with owners and residents to eliminate the RAP subsidies. Currently 34 of the apartments are still receiving RAP subsidy. However, as apartments turn over, apartments are being rented without RAP subsidy. A key component of the redevelopment of the site is the successful transition from RAP to non-RAP apartments in a manner that ensures a financially successful transaction for the developer, residents and Rhode Island Housing while simultaneously lifting the financial burden of the RAP subsidy from Rhode Island Housing. At closing, the current RAP rents will be lowered to no more than the 50% AMI rent. POAH has modeled rents for all Oxford Gardens units at 45% AMI. Rhode Island Housing will commission an appraisal to determine the market rents. The underwriting will be based on the lower of the 50% tax credit rent or the market rents.

Oxford Place is an elderly and disabled development with 78 apartments located at 200 Gordon Avenue in Providence. Originally constructed in 1978 and financed by Rhode Island Housing, Oxford Place consists of one 6-story steel frame building with a brick façade. It contains 75 one-bedroom and 3 two-bedroom apartments as well as a community room and centrally located management office. Section-8 rental assistance has been provided to Oxford Place through a Housing Assistance Payment (HAP) contract and will expire in 2022. POAH intends to renew this contract before it expires. The underwriting will be based on the lower of HAP or market rents as determined in the appraisal.

People’s Redevelopment Corporation (“PRC”), the current owner, developed both Oxford Gardens and Oxford Place. PRC is a small non-profit with no paid staff. POAH is purchasing both properties simultaneously. PRC will retain an interest in the new ownership entity as a Special Limited Partner, with no significant economic interest, but with approval and notice rights with respect to certain decisions to be negotiated by the parties.

POAH has assumed the market value for the as-is acquisition value of \$9,770,000 (\$76,328 per unit). All existing Rhode Island Housing amortizing debt will be paid off at closing and the existing Targeted Loan (deferred debt) on Oxford Gardens will be assumed by the new partnership. A nominal fee is expected to be paid to PRC and tax credit investor at Oxford Gardens. Any remaining acquisition value after debt settlement and fair value provided to the owners will take the form of a purchase note of \$8,891,535.

POAH has been working with their architect, Union Studios Architects and general contractor, NEI General Contractors to assess the physical condition of both properties and identify a scope of work. Both projects are providing much needed housing and both are due for an infusion of capital to address deferred maintenance. The scope of work for Oxford Gardens is budgeted at \$2.9M (\$58,000/unit), and improvements will include replacement of all siding trim and roofing, windows, gutters, downspouts and eaves, as well as site betterments. Accessibility improvements will be made to meet UFAS requirements on 5% of the units. In addition apartment upgrades will include new entry doors, replacement of kitchen and bath flooring, cabinets, appliances, any inefficient toilets, medicine cabinets, tub surrounds, and hardwire smoke detection devices will be installed. Older furnaces and hot water heaters will be replaced. At Oxford Place, the preliminary scope of work is budgeted at \$2,2M (\$28,000/unit), and includes site work, site lighting, dwelling unit upgrades, as well as improvements to common spaces and several deferred maintenance items to improve the overall property.

The primary source of permanent financing will be a 40-year mortgage supported by the lower of HAP or market rents for Oxford Place and the lower of 50% tax credit rent or the market rents for Oxford Gardens. Additional sources of funds include equity from the sale of 4% low income housing tax credits, a purchase note from the seller, a deferred developer fee, existing reserve funds, a Housing Preservation Program loan, income from operations and a construction loan.

The 4% low income housing tax credits are generated by the issuance of tax exempt bonds. The financing plan assumes that, upon construction completion, the project will support \$2,800,000 permanent debt. Credit enhancement will be provided through the HUD risk share program.

This RFA requests preliminary approval for a tax-exempt mortgage of up to \$10,000,000, of which \$2,800,000 will be converted to permanent debt.

Upon a motion made by Commissioner Orth 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 bonds for the purpose of financing qualified housing developments throughout the state;

Whereas, Said bonds shall have a term not to exceed forty (40) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and to provide the capitalized interest if determined to be necessary;

Whereas, 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>
Oxford Gardens & Place	Preservation of Affordable Housing	\$10,000,000

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

Whereas, Rhode Island Housing finds that:

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

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

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

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

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

NOW, THEREFORE, IT IS HEREBY:

Resolved, That, subject to the special conditions listed below, Rhode Island Housing hereby declares preliminary approval for tax exempt mortgage financing in an amount not to exceed \$10,000,000 to Preservation of Affordable Housing or an affiliated partnership (the “Borrower”) for rental housing known as Oxford Gardens & Place located at 200 Gordon Avenue in Providence and 197 Prairie Avenue, 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 \$10,000,000 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:

- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements.
- Acceptable appraisal by an independent appraiser validating the acquisition value and demonstrating that the first mortgage does not exceed 90% of the as-stabilized value of the property.
- Completion of a Phase I environmental assessment and any such other environmental studies deemed necessary by Rhode Island Housing.
- Approval of a Capital Needs Assessment for both Oxford Gardens and Oxford Place.
- 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.

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

Approval of Housing Preservation and Production funding for Aaron Briggs/Cherry Hill and Oxford Gardens/Oxford Place

Eric Shorter delivered this presentation.

Rhode Island Housing administers approximately \$3 million under a pilot Housing Preservation and Production Program (“HPPP”). The HPPP is intended to provide Owners/Developers of existing affordable housing developments and construction of new affordable units with incentives to maintain these developments as quality affordable housing for a period of thirty (30) years beyond any current use and deed restriction.

Rhode Island Housing anticipates that the primary source of financing for developments funded under the HPPP will include tax-exempt bonds; syndication proceeds from the sale of 4% Housing Tax Credits, the development’s existing reserves and other Owner/Developer resources.

Rhode Island Housing issued a Request for Proposals (RFP) in August, 2015. In response to the RFP, Rhode Island Housing received eight proposals requesting \$6 million in HPPP funding for the development of 618 units with a total development cost of \$76,811,254. All applications were reviewed for meeting Threshold Criteria and scored by staff based upon criteria established for the HPPP. Additional information was requested where necessary.

One application was not considered as the proposal did not meet the Threshold Criteria for financial feasibility. Four applications have funding gaps and had not secured funds necessary from other sources at the time of application. . These applications have been wait listed and remain eligible for further review by staff as the applicants secure gap financing.

Staff recommends approval of up to \$1,500,000 in HPPP funding for two HPPP proposals in Attachment A. This amount will directly fund the preservation of 288 rental units. Proposed project sites are located in Johnston and Providence. Both recommended applications in this round were submitted by a national nonprofit developer, Preservation of Affordable Housing (POAH).

With the approval of these proposals, 50% of HPPP project funds will be awarded. The balance will be awarded in January 2016. As previously mentioned, four very competitive applications remain eligible; however, the applicants need additional time to secure project gap financing.

Mr. Shorter recognized Mr. Gornstein, who acknowledged that HHP funds are essential for bridging the gap to move the development forward to completion.

Commissioner DiBiase also commended staff on the expediency on implementing the program. He supported the efforts to move quickly for maximum efficiency.

Upon a motion made by Commissioner Orth 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”) expects to enter into an agreement with the State of Rhode Island to administer the Housing Preservation and Production Program (HPPP) and;

WHEREAS: Rhode Island Housing anticipates authorization to disburse \$1,500,000 in Federal Fiscal Year 2015 Housing Preservation and Production Program funds to eligible entities in order to create and preserve affordable housing opportunities, and;

WHEREAS: The applicants listed in Attachment A depending if you delete Attachment A as presented at this meeting have submitted applications which meet the requirements of the Housing Preservation and Production Program and;

WHEREAS: Staff of Rhode Island Housing have reviewed each of the eligible applications submitted and has recommended that Housing Preservation and Production Program funds be committed to the proposals listed in Attachment A as presented at this meeting;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That Rhode Island Housing commit up to \$1,500,000 in Fiscal Year 2015 Housing Preservation and Production Program funds to the proposals in Attachment A.

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

RESOLVED: That the foregoing resolution is subject to receipt of sufficient Housing Preservation and Production Program funding from the State of Rhode Island.

Final Approval of the 2016 Qualified Allocation Plan

Ms. Ventura summarized this request.

At the August 20, 2015 meeting, the Rhode Island Housing Board of Commissioners preliminarily approved and authorized publication of Rhode Island Housing’s intent to adopt the 2016 Qualified Allocation Plan (the “2016 QAP”) governing the allocation of Housing Tax

Credits. Rhode Island Housing published notice of the public hearing and draft 2016 QAP on August 31, 2015 on the rulemaking website hosted by the Rhode Island Secretary of State. Additional notices advertising the public hearing were published on Rhode Island Housing’s website, in the Providence Journal, Providence American, and New Horizons.

A public hearing was held on October 2, 2015 at Rhode Island Housing headquarters. No member of the public attended.

Rhode Island Housing received five comments in total during the 30 day comment period. Four were submitted by members of the public and one by Rhode Island Housing staff. Staff proposes the changes described below to address these comments.

Summary of Sections Changed

Section II.A	Funding Round schedule
Section III.B	Scoring Criteria – Corrected typographical errors
Section III.B	Scoring Criteria – Financing Points clarifications
Section III.B	Scoring Criteria – Comprehensive Community Development
Section III.B	Scoring Criteria - Efficiency
Section III.C. 5, 8	Scoring Assessment Criteria

Comment 1

The commenter pointed out that while page 25 of the draft 2016 QAP referred to a 5-point allocation for "Reuse of previously developed land" in the Point Allocation Summary list, page 37 referred to the same points as being awarded for "Preservation of greenfields." Staff believes the apparent inconsistency is the result of a typographical error, and recommends a correction on page 25 to clarify that 5 points may be earned for greenfields preservation.

Comment 2

The commenter, Secretary of Commerce Stefan Pryor, made an oral request that the 2016 QAP provide points for mixed income developments. Staff reviewed the 2016 QAP and confirmed that the 2016 QAP currently provides points for mixed income developments in the “Good Homes” section under “Comprehensive Community Development.”

Comment 3

Commenter National Housing Trust made three recommendations: that the QAP (i) provide points for projects that preserve existing affordable homes, (ii) exempt preservation projects from the requirement that projects create a minimum of 20 new units; and (iii) balance preservation goals with incentives for projects in communities with low concentrations of affordable housing.

Over the past several years, Rhode Island Housing has awarded competitive (9%) low-income housing tax credits to developments that have both preserved expiring units and produced new

units. The requirement to add 20 new units incentivizes both new construction and preservation of existing affordable homes. Given the scarcity of public resources for affordable housing development, staff believes that the current approach fairly and equitably balances the state's interests in preservation and development of new units. No change recommended.

Comment 4

A group of stakeholders from Rhode Island's rural communities offered four recommendations:

1. That infrastructure development costs (e.g., water, septic, road construction) be excluded from the affordable per-unit total development cost calculation. Rhode Island Housing believes that the 2016 QAP appropriately incentivizes compact development. Staff disagrees with the commenter, however, that urban communities are at a "distinct advantage" under the proposed scoring system, as points are available elsewhere in the 2016 QAP for projects in communities with less than 10% affordable housing. These communities tend to be Rhode Island's rural communities.
2. That the Financing Points section (page 26) be clarified to distinguish between projects that leverage state and Rhode Island Housing grant funds and projects that leverage other types of housing resources, including federal, municipal, and private grant funds. Staff recommends clarifying this section.
3. That the General Points section (page 27) be revised to provide 3 points for master plan approval, 2 points for preliminary plan approval and 1 point for final approval. Staff recognizes the need to prorate these points, but believes the agency needs the flexibility to prorate based on project specifics rather than according to commenter's proposed schedule. Permitting and approval processes vary by community, and each development presents a unique mix of engineering and environmental needs.
4. That the Comprehensive Community Development section (pages 28-29, 33) be revised to: (i) allow points for developments situated within 5 miles from public infrastructure rather than 2.5 miles; (ii) refer to Growth Centers and clarify that housing may precede infrastructure improvement; and (iii) allow points in the Crime Prevention Through Environmental Design (CPTED) category where a development is located in a community with a lower crime rate than the state average. Based on technical assistance from Statewide Planning, staff believes 2.5 miles is a reasonable maximum distance from public infrastructure to qualify for points in this section. Staff agrees with the commenter's proposed language changes regarding Growth Centers and clarifying that housing may precede infrastructure development. Staff disagrees that local crime rate is relevant to a project's design qualifications, and believes that CPTED principles should be applied regardless of the community in which a project is sited.

Comment 5

Staff recommended that the reference to "Passive House" design be removed from the Efficiency section (page 30) because the concept is new to Rhode Island, there are a limited number of practitioners in the state, and further cost analyses should be performed. Over the

next few months, staff will further evaluate passive house design concepts for possible inclusion in future design guidelines.

The revised 2016 QAP was sent to the Office of Regulatory Reform for review on October 14. Approval to post the final regulations was received on October 20.

The 2016 QAP will become effective upon (i) final approval by the Board of Commissioners of the 2016 QAP; (ii) approval by the Governor; and (iii) 20 days after filing with the Secretary of State.

Upon a motion made by Commissioner McCleary and seconded by Commissioner Rogers, the following resolution was unanimously adopted in the form presented at the November 19, 2015 Board Meeting.

**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 Governor as the Principal Housing Agency and Tax Credit Allocation Agency for the State of Rhode Island (the “State”);

WHEREAS, The Revenue Reconciliation Act of 1989, as amended, requires tax credit allocating agencies to allocate low-income housing tax credits according to a Qualified Allocation Plan (the “Plan”);

WHEREAS, The Plan must establish priorities and criteria for allocating the tax credits that best meet the housing needs of residents of the State of Rhode Island and must be adopted pursuant to a public hearing and comment period; and

WHEREAS, Housing needs for the State of Rhode Island have been established pursuant to the Rhode Island Consolidated Plan: 2015 – 2019 and are incorporated into the 2016 Qualified Allocation Plan.

NOW, THEREFORE, BE IT:

RESOLVED: That Rhode Island Housing adopt the attached 2016 Qualified Allocation Plan for the State of Rhode Island, and hereby recommends the Plan be approved and endorsed by the Governor of the State of Rhode Island and Providence Plantations.

RESOLVED: That the Executive Director and each Deputy Director, each acting singly, be, and hereby are, authorized and empowered and directed to file or cause to be filed the 2016 Qualified Allocation Plan with the Office of the Secretary of State, to execute or cause to be executed any and all certificates, instruments, letters of instruction and documents as shall be required to

cause the filing of the 2016 Qualified Allocation Plan with such office, and to take such further action as she, in her sole discretion, shall deem necessary or desirable to effectuate the proposed filing.

RESOLVED: That Rhode Island Housing develop and distribute a Request for Proposals (RFP) soliciting applications for 2016 Housing Tax Credits pursuant to the 2016 Qualified Allocation Plan.

Strategic Topic: Presentation of McGladrey Report Regarding Comprehensive IT Review

Ms. Fields introduced the RSM team to present findings from its comprehensive review of the IT infrastructure. Ms. Fields stated that the presentation is a wide-ranging assessment of all agency wide systems. RSM, previously known as McGladrey, changed its name to better represent the company's structure.

Steve Mermelstein made the presentation and provided the Commissioners with a copy of the report.

Mr. Mermelstein began by stating that RSM performed a Comprehensive IT Assessment of the organization's entire IT systems and approach. The assessment analyzed the Agency's IT organization, management processes, infrastructure, and business applications in order to identify recommendations for both the short and long-term goals. The assessment focused on IT Strategy, Governance, and Organization; Core Applications; Systems and Processes; Communications; Network and Remote Office Access and Network Protocol and Data Security.

Mr. Mermelstein presented the following top-level, overarching findings. During the assessment, RSM found no "emergency-like" concerns or risks that require immediate action; however, RSM recommended that Rhode Island Housing complete formal security testing as soon as possible to detect and mitigate any security risks. RSM noted that a lack of IT investment in recent years has resulted in a shortage of modernized technology, resulting in excessive manual effort to serve constituents, putting Rhode Island Housing out of synch with the market. The required effort to catch up and get ahead of the technology curve is holding back the Agency from greater strategic achievement. Finally, Mr. Mermelstein emphasized that while much of this assessment focuses on opportunities for improvement, it is important to note that Rhode Island Housing is providing quality service to the State's constituents.

RSM also identified a number of common IT issues and concerns expressed by key departmental stakeholders. Some of those issues include limited strategic IT vision; reactive nature of incident resolution and projects across departments; a paper-heavy environment with no evidence of system workflow automation and inefficient paper asset storage; limited solutions for case and program management; lack of integration between Agency and the use of GroupWise for email where scheduling is limiting integration options and leading to concerns about mobile compatibility.

RSM also reviewed the IT Infrastructure in place at the corporate office datacenter and the disaster recovery datacenter in Springfield, MA. RSM observed that the infrastructure is over-engineered and misconfigured and that the IT staff's skillset is not currently aligned to the technology complexity. There is also a lack of automation tools that ultimately increases the need for manual hours. Mr. Mermelstein and his team recommended that the Agency consider outsourcing the commodity services such as e-mail, server hosting, and re-aligning IT staff to focus on value-added efforts. If the Agency follows the suggestion, it ultimately will realize significant cost savings.

In conclusion, Mr. Mermelstein advised Rhode Island Housing to take strategic next steps in order to ensure immediate stabilization and work toward Agency optimization. Some of those steps are to define IT governance and hiring strategy; begin process to fill existing IT skillset and support gaps; collapse existing on-premises infrastructure and join OSHEAN's Fiber Network, reducing upkeep and generating five-figure savings on an annual basis. The RSM team put forth a few more ideas the Agency needs to address and those suggestions are specified in the full report.

A brief discussion followed the presentation with the Commissioners inquiring on the cost of implementation of the recommendations along with an approximate time for completion. Mr. Mermelstein replied that the timeframe is fluid and the implementation of the system can be undertaken in phases. The cost also depends on how many of the applications the Agency plans to active this year and what applications existing staff can handle.

Chairman Retsinas acknowledged Mr. Mermelstein and his associates for the presentation and expressed his sincere appreciation for the report.

Mr. Mermelstein thanked Ms. Fields and the board for their time effort they made to understand the business.

There being no further business to discuss, a motion was duly made by Commissioner McAllister and seconded by Commissioner Orth to adjourn the open meeting at approximately at 10:06 a.m.

Respectfully submitted,

Barbara G. Fields
Secretary and Executive Director