

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

March 24, 2016

A regular meeting of the Rhode Island Housing and Mortgage Finance Corporation Board of Commissioners was held on Thursday, March 24, 2016 at 8:30 a.m. at the Offices of Crossroads RI, 2nd Floor Boardroom, 160 Broad Street, Providence, Rhode Island 02903.

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, Maria F. Barry 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; Claribel Shavers, Director of Leased Housing and Rental Services; and Nicole Clement, General 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 8:35 a.m.

Chairman Retsinas greeted everyone and thanked Karen Santilli and Michelle Wilcox for hosting the meeting at Crossroads RI.

Welcome to Crossroads RI

Karen Santilli, Executive Director of Crossroads RI, welcomed board, staff and guests to Crossroads RI and offered to host a tour after the meeting. Ms. Santilli gave some background on the building and services that Crossroads RI provides.

Ms. Fields also thanked Karen and staff for the work that went into hosting the meeting and then showed a slideshow depicting the history of Crossroads RI and the building and explained the funding that went into it and Rhode Island Housing's part in it.

Chairman Retsinas then welcomed the newest member of the Board of Commissioners, Maria Barry and thanked her for graciously accepting his invitation to join the Credit Committee.

Approval of Minutes of Board Meeting Held on February 18, 2016

Upon a motion made by Vice-Chair McCleary and seconded by Commissioner McAllister, the following resolution was unanimously adopted:

VOTED: That the Minutes of the Board Meeting held on February 18, 2016 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. Mortgage originations started the year strong with an increase of 60 loans (57%) and \$12.1 million (47%) year-over-year. Recently, Freedom Mortgage Corporation, a national correspondent lender, was approved as a Rhode Island Housing Participating Lender. Demand continues to be strong for the Ocean State Grad Grant Program. Since the program's inception in September 2015, 133 Grants have been issued. Rhode Island Housing received just under \$10 million in federal Hardest Hit Funds from the US Department of Treasury. We are applying for an additional \$39.7 million in a Phase II Application. This allocation will enable us to deploy proven programs to prevent foreclosures and stabilize Rhode Island's housing market.

Loan Servicing. Ms. Fields gave an update on loan delinquencies. We continue to see positive signs regarding portfolio delinquency. Compared to last year at this time, we have experienced an 86 basis point reduction in the total delinquencies. In the seriously delinquent category, we experienced a reduction of 69 basis points.

Development. Ms. Fields noted that Rhode Island Housing received 10 proposals for allocation of 2016 federal 9% Low Income Housing Tax Credits (LIHTC) to finance new construction and/or rehabilitation of multi-family rental homes. We expect preliminary recommendations at our May meeting.

Several Federal Finance Bank (FFB) deals are under review and likely will be brought to the Board in April or May. We are exploring the potential to create mezzanine facility for mixed income projects to develop additional "workforce" apartments. Staff is developing an application under the Capital Magnet Fund, a program offered by the US Treasury seeking an award of \$6 million. Ms. Fields thanked every division for their hard work on this application.

Leased Housing and Rental Services. Ms. Fields reported that the department has some new staff joining Rhode Island Housing in April.

All program year 13 grants are closed for Continuum of Care program. We have processed \$2.8 million in invoices, with an additional \$700,000 still to be disbursed. All grant agreements for

program year 14 grants have been provided to sub-recipients and we have applied for year 15 funding.

Government Relations and Policy. Mr. Fields noted that she, Chair Retsinas and Amy Rainone recently visited the congressional delegation and HUD officials in Washington D.C.

Earlier this month, Ms. Fields testified in support of the Governor's \$40 million *Housing Opportunity Bond* before the House and Senate Finance Committees. She also met with House Finance Chairman Gallison to discuss the Bond and the Housing Preservation and Production Program.

Communications. Ms. Fields announced that Governor Raimondo and Johnston Mayor Polisena will be joining Rhode Island Housing and Preservation of Affordable Housing (POAH) at a groundbreaking for POAH's properties: Aaron Briggs and Cherry Hill Apartments (known as Cherry-Briggs). She encouraged the Board to attend. This is the first HPPP project to commence work.

The Housing Works report will be released next week with its key findings at a press event on April 5th and release on April 6th at Commerce with our key partners.

The State House Meet & Greet is coming up on Tuesday, April 26th at 3:00pm. We are going to be having Partners in Housing Awards. The Annual Lender/Realtor Breakfast is coming up May 5th where we will be recognizing our top lender and realtor partners from 2015.

Human Resources. HR has begun working with Arthur J. Gallagher, Rhode Island Housing's compensation consultant.

Information Technology. Our IT work with RSM continues, and we now have Jonathan Dubois, an Infrastructure Consultant from RSM, assisting the IT Department with addressing projects identified in the 3-year road map.

Finance. On February 24, Chairman Retsinas, Barbara Fields and Kara Lachapelle met with representatives from Standard & Poor's; and Moody's rating agencies in New York.

Report of Intergovernmental Committee and Possible Consideration of and/or Action on Report

Commissioner McAllister made a brief report regarding the meeting of the Intergovernmental Relations Committee on March 21, 2016.

The Committee discussed several legislative initiatives that have been submitted to the administration, including a proposal for a \$100 million housing bond, a \$10 million request for funding under the Housing Preservation and Production Program (HPPP) and a bill to make technical changes to the Madeline Walker Act to ease administrative burdens on municipalities and Rhode Island Housing. The administration has proposed a \$40 million housing bond and \$1.0 million in HPPP funding. The administration supports the Madeline Walker technical amendments.

The Committee is also monitoring several bills dealing with bond issuance by public corporations, taxation of deed-restricted housing, the low and moderate income housing act, tenant protections, government transparency, maintenance of foreclosed properties and renewable energy.

The Committee also was given a brief report regarding Rhode Island Housing's federal priorities.

Approval of Charitable Donations and Contributions

Ms. Clement, General Counsel, made this presentation.

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.

Attachment A sets forth events 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, the reason for supporting the event or recipient, 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 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 Rhode Island collaborates with Rhode Island Housing in many capacities, including the Continuum of Care Program. Rhode Island KIDS COUNT is a Rhode Island non-profit organization dedicated to improving the health, safety, education, economic well-being, and development of Rhode Island's children. Rhode Island Housing and Rhode Island KIDS COUNT work together to develop solutions and provide foundations to improve the lives of children in Rhode Island. Grow Smart Rhode Island provides statewide leadership around issues of sustainable and equitable economic growth and compact development models, which is consistent with Rhode Island Housing's KeepSpace initiative. The work of each of these organizations furthers and supports the mission of Rhode Island Housing.

Upon a motion made by Commissioner Orth and seconded by Commissioner McCleary, the following resolution was adopted. Kelly Rogers did not participate in this discussion or vote on this matter due to the Treasurer's involvement with Crossroads RI.

**Resolution of the Board of Commissioners of
Rhode Island Housing**

- 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.

Preliminary Approval of Tax Exempt Conduit Financing for EPN Apartments

Barbara Fields introduced this item and Eric Shorter made the presentation.

This Request For Action (“RFA”) is for Preliminary Approval of conduit tax-exempt financing in an amount not to exceed \$18,000,000 for EPN Apartments (“Evergreen/Pleasant Ridge & New City” or the “Development”) a scattered site development located in Providence. Rhode Island

Housing is not the current lender of either property. The developer is proposing to acquire the two existing developments from two separate sellers, consolidate the existing two developments, and undertake a \$7.6 million rehabilitation of the Development.

The Evergreen/Pleasant Ridge Apartment sites are located in the Mount Hope neighborhood in northern Providence. Evergreen/Pleasant Ridge has 65 apartments and is comprised of one 15-unit, three-story apartment building and 25 scattered buildings. The buildings consist of 17 one-bedroom, 37 two-bedroom and 11 three-bedroom units. The property benefits from a Section 8 Housing Assistance Payments Contract (“HAP Contract”) that covers 64 of the 65 apartments. There is one non-revenue unit. The buildings are all constructed with conventional wood framing and vinyl siding. Evergreen/ Pleasant Ridge was purchased by the current owner from HUD in 1984 as a Property Disposition (“PD”) transaction. All conditions imposed on the project in connection with the PD transfer have terminated. Since 1984, renovations have largely been completed by the management company as units turn over.

The New City Apartments sites are located in the Upper South Providence, Lower South Providence, and Elmwood neighborhoods in central and southern Providence. New City Apartments is made up of 28 buildings comprising 100 units. The buildings are two and three storied and constructed with traditional wood framing with vinyl siding and brick facades. The buildings consist of 10 one-bedroom, 67 two-bedroom, 21 three-bedroom and 4 four-bedroom units. New City Apartments also benefits from a HAP Contract that covers all 100 units. In 2004, the current owner refinanced New City Apartments under the HUD Mark-to-Market program but minimal work was undertaken on the property. Renovations have been completed on turnover units by the management company.

The proposed purchaser is Vitus Group (“Vitus” or “Borrower”), a real estate development company based in New York City and Seattle. The principal, Stephen Whyte formed the company in 1993 and currently owns over 90 properties across 17 states. Currently, Vitus has developed over 9,000 units of affordable multifamily housing throughout the country. 37 of Vitus’s properties, containing 5,371 apartments, are subject to HAP Contracts.

Vitus will form a new limited partnership, EPN Housing Partners, LP, to purchase the property from the current owner. The new limited partnership will consist of an affiliate of Vitus as general partner and a syndicator-sponsored tax credit fund as limited partner. Vitus will complete the renovations using the proceeds from the new loan and from the allocation of housing tax credits. All of the New City Apartments sites are located within 2015 Qualified Census Tracts (“2015 QCT”), while just over half of the Evergreen/Pleasant Ridge Apartments sites are located within the 2015 QCT, which will help to generate additional low income housing tax credits (“LIHTC”) to cover project costs.

Overall, the Development is considered to be in fair condition and received 93b (New City Apartments) and 83c (Evergreen/Pleasant Ridge) REAC scores from HUD. The residents of the Development will benefit from the sale of the property and subsequent renovation. The current renovation budget is \$7.6 million or \$46,000 per unit. Final pricing is due in late March when the 90% architectural drawings are expected. Vitus has initiated a structural survey and environmental reports as part of their due diligence, all of which will inform the final scope of work. The preliminary scope of work includes both interior and exterior improvements. Interior upgrades include replacement of kitchen cabinetry, countertops and plumbing fixtures,

installation of Energy Star rated appliances, including refrigerators, stoves and furnaces, replacement of a majority of bath vanities and fixtures, and installation of Energy Star lighting throughout the units. Exterior work includes replacement of windows as needed with low-glazing windows, new roofing and siding repairs.

Vitus intends to engage Arco Management Corporation (“Arco”), based in Lanham, Maryland as their management agent. Arco currently manages Evergreen/Pleasant Ridge. There is no identity of interest between the firms and Arco currently manages 8 other properties for Vitus. Arco provides management for approximately 160 developments across the country primarily in the Northeast (New York, New Jersey, Pennsylvania). Forty of the developments are financed with tax credits and/or tax-exempt bonds and 88 of the developments have HAP Contracts.

As part of the transaction, Vitus has applied to HUD to adjust the current Evergreen/Pleasant Ridge HAP Contract through a Chapter 15 Option 2 Mark Up To Budget with rents taking effect at closing. Vitus has also requested an early termination of the HAP Basic Renewal Contract and approval of a new Option 2 Basic HAP Renewal Contract for a 20-year term. Vitus is also requesting approval of the Assignment, Assumption and Extension of the Mark-to-Market Use Agreement.

The New City Apartments rents were adjusted to market in 2004 as part of the Mark-to-Market transaction. Vitus will maintain the existing HAP rents and ask for an early termination of the contract and issuance of a new HAP Mark-to-Market Renewal Contract with a 20-year term.

Financing:

The total development cost is approximately \$24.8 million. The primary sources of financing will be a tax-exempt loan of up to \$18 million and approximately \$8.12 million of equity from the allocation of LIHTCs. A portion of the loan, \$2.5 million, will bridge approximately 30% of the LIHTC equity and will be repaid at construction completion. The borrower has requested that Rhode Island Housing provide conduit tax-exempt financing and allow Citibank to be the lender and servicer. Similar to a private bond placement, Citibank would bear all financial risk should the Borrower default on the loan.

Rather than use a traditional tax-exempt structure with a private placement, Citibank has proposed a Tax-Exempt Private Placement Back to Back Loan (“Back to Back Loan”) structure. In this alternative structure, Citibank will make a direct loan to Rhode Island Housing. Rhode Island Housing will in turn advance the loan proceeds to the Borrower. This varies from the traditional private placement structure in which Citibank would purchase tax-exempt bonds issued by Rhode Island Housing, the proceeds of which would be loaned to the borrower. The Back-to-Back Loan structure will be exempt from federal taxes under the Internal Revenue Code of 1986, as amended (“Code”), and any regulations promulgated thereunder, and will generate 4% LIHTCs for the deal. Rhode Island Housing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility.

The advantages to the borrower include a lower cost of financing and a more expedited closing process. Citibank has provided a preliminary term sheet. The final sizing of the mortgage will be limited to 90% of the post rehabilitation value of the building. Vitus will pay the full cost of issuance and all Rhode Island Housing fees associated with the transaction. Rhode Island

Housing will charge an issuer fee and an annual servicing fee for its involvement in the Back-to-Back Loan.

The primary source of financing for the transaction will be (i) a construction and permanent first mortgage from Citibank, (ii) equity from the allocation of 4% LIHTCs (iii) a deferred developer fee and (iv) cash from operations.

Mr. Shorter introduced Scott Langan from Vitus Development who thanked the board for their consideration.

Commissioner Orth, Chair of the Credit Committee, stated that the Committee considers this a sound proposal and recommends preliminary approval. He pointed out that since this is conduit financing, it proposes no financial risk to Rhode Island Housing.

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**

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

Whereas: Rhode Island Housing intends to issue tax-exempt financing through a loan for the purpose of financing qualified housing developments throughout the state;

Whereas: The loan shall have a term not to exceed thirty (30) years and shall be in the approximate amount sufficient to finance the mortgage, pay the costs of issuance, fund a capital reserve fund and provide capitalized interest, if determined necessary;

Whereas: Rhode Island Housing is authorized to issue conduit financing at an economically acceptable rate to promote the acquisition, rehabilitation or preservation of affordable housing;

Whereas: The applicant (“Applicant”) listed below has presented an application to Rhode Island Housing requesting mortgage financing to acquire and rehabilitate the development as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Tax-Exempt Mortgage</u>
EPN Housing	Vitus Development III, LLC	\$18,000,000

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:

(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 commitment approval for tax-exempt financing to Vitus Development III, LLC or its designee (“Borrower”), in an amount not to exceed \$18,000,000 for rental housing known as EPN Apartment located in Providence, Rhode Island to be financed, in part, by tax-exempt financing;

Resolved: That Rhode Island Housing hereby declares that the preliminary commitment approval of financing for the Borrower constitutes the affirmative official act of Rhode Island Housing of its intention to issue tax-exempt financing up to \$18,000,000 plus the required reserve funds and the related costs of issuance for the above-referenced Development pursuant to the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder;

Resolved, That, in order to fund the loan to the Borrower, Rhode Island Housing may enter into a loan arrangement with Citibank (the “Citibank Loan”) substantially in

accordance with the terms set forth in the term sheet attached as Attachment C to the Request for Action to which this Resolution is attached;

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

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

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

- HUD approval of the borrower’s rent request and waivers.
- Evidence of the availability of twenty year HAP Contracts for both New City Apartments and Evergreen/Pleasant at rent levels, in the judgment of Rhode Island Housing, sufficient to ensure project feasibility.
- Approval by Rhode Island Housing of all members of the development team.
- Syndication proceeds from the allocation of 4% LIHTCs (Housing Tax Credits) in an amount sufficient to insure development feasibility.
- Acceptable final appraisal by an independent appraiser demonstrating that the loan does not exceed 90% of the post rehabilitation as-stabilized value of the property
- Receipt and approval of third party reports including capital needs assessment, structural survey and Phase I environmental report.
- Approval by Rhode Island Housing of construction plans and specifications and construction documentation including an acceptable reserve analysis for the rehabilitation items not immediately undertaken following acquisition.

- Approval by bond counsel that the proposed Back-to-Back Loan will satisfy all required bond provisions.
- The financing is a special limited obligation that is non-recourse to Rhode Island Housing
- Rhode Island Housing and or counsel approval of all Citibank loan documents.
- Recordation of a Rhode Island Housing Declaration of Land Use Restrictive Covenants and Regulatory Agreement in form(s) acceptable to Rhode Island Housing.
- Completion of all items required for firm commitment and closing in accordance with normal underwriting and processing requirements with mutually acceptable documentation; and

Resolved: That the Executive Director, any Deputy Director, and the Chief Financial Officer, each acting singly, shall take any and all action they deem necessary to carry out the foregoing resolutions.

Approval of Staffing for the Hardest Hit Fund Program

Barbara Fields introduced this item and Peter Pagonis, Director of Homeownership, made the presentation.

This Request for Action (“RFA”) is for approval to increase staffing in the Homeownership Division for the Hardest Hit Fund (“HHF”) Rhode Island Round V. Homeownership is pleased to have received \$9.68 million in the formulaic round in February 2016 and has applied for an additional \$39.7 million in federal Hardest Hit Funds to assist qualified Rhode Island homeowners to obtain direct financial support in order to prevent foreclosures and stabilize the Rhode Island housing market. We expect to receive word of the final dollar allocations from the U.S. Department of Treasury by late April 2016. The additional staff will permit Rhode Island Housing to properly implement and administer the HHF Program.

Upon notification of the formulaic HHF allocation, Rhode Island Housing’s senior management and its current HHF staff began working to resume operation of the HHF Program. The plan is to hire and train staff in April and May with an anticipated start date of late June or early July 2016. Rhode Island Housing’s administrative, finance, note servicing and compliance functions are currently operational.

Senior management recommends the addition of 19 full-time equivalents (“FTEs”) to the Homeownership Division to support the implementation and operation of the HHF Round V. It is projected that the staff set forth below will permit operations for up to 36 months

Staff Functions	New
Production Operations /Grade Range	
Administration / 4	1
Community Outreach/5	1

Intake – Processing/5	4
Intake – Specialist / 7(3), 8(1)	4
Underwriting/7(3), 8(1)	4
Program Operations/Grade Range	
Finance/Accounting Payment Processing/5,7	2
Information Technology Support/7	1
Portal Operation/7	1
Program Mgmt. Compliance, Reporting/6	1
Staffing Total	19

Commissioner McCleary, Chair of the Management Committee, stated that the Committee has considered the proposal and recommends approval. He pointed out that the allowance of a 15% administrative load limits our financial risk and that this actually a 20% reduction in spending due to online portal efficiency.

Upon a motion made by Commissioner McCleary and seconded by Commissioner McAllister, the following motion was unanimously approved:

**Resolution of the Board of Commissioners of
Rhode Island Housing**

Whereas, Rhode Island Housing received \$9.68 million in federal Hardest Hit Funds in the formulaic round V in February 2016; and

Whereas, Rhode Island Housing anticipates receiving an additional \$39.7 million in federal Hardest Hit Funds in Phase II of Round V in April 2016

NOW, THEREFORE, IT IS HEREBY:

Resolved, that the positions listed in this Request for Action in the Homeownership Division be established.

Resolved, that as a result of the foregoing, the number of approved full-time Employees (FTE) be increased by a total of 19.

Resolved, that the Executive Director, any Deputy Director, and the Director of Homeownership 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 Changes to Staffing of the Leased Housing and Rental Services Division

Barbara Fields introduced this item and Carol Ventura, Deputy Director, made the presentation.

This Request for Action (“RFA”) is for approval to increase staffing in the Leased Housing and Rental Services Divisions. The Leased Housing and Rental Services Division will add one full-time equivalent (“FTE”). The addition of staff will permit Rhode Island Housing to adequately respond to increased rental activity and the management demands of Performance Based Contract Administration (“PBCA”) and the Housing Choice Voucher Program (“HCVP”).

Staff recommends the addition of a new full-time Assistant Director for PBCA and HCVP. New initiatives such as the Rhode Island Centralized Waitlist and a projected engagement to conduct Management Occupancy Reviews (“MOR”) under the PBCA program require greater support to the division. In addition, the complexity, volume, and management demands of PBCA and HCVP have increased over time as these programs have developed. The additional oversight of an Assistant Director for PBCA and HCVP would be well-timed in light of Rhode Island Housing’s strategic initiative to further develop the Family Self Sufficiency (“FSS”) and Section 8 Homeownership programs. This position is a grade level 14 with a salary range of \$72,500 to \$107,500. We expect that PBCA funding from HUD will increase once MORs are again included as a mandatory task under the PBCA agreement.

Commissioner McCleary, Chair of the Management Committee, stated that the Committee had considered the proposal and recommends approval.

Upon a motion made by Commissioner DiBiase and seconded by Commissioner McAllister, the following motion was unanimously approved:

**Resolution of the Board of Commissioners
of Rhode Island Housing**

Resolved, that the position of Assistant Director for the Leased Housing and Rental Services 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 1.

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.

Engagement of Consultant to provide Family Medical Leave Act Administrative Services

Barbara Fields introduced this item and then Peter Walsh, Deputy Director, made the presentation.

Rhode Island Housing’s Human Resources Department currently administers all Family Medical Leave Act (“FMLA”) requests for its 190 employees. Due to the growing complexity in managing intermittent leaves, along with compliance with the Health Insurance Portability and Accountability Act (“HIPAA”), Rhode Island Housing would like to engage a qualified firm for the administration of the FMLA process.

In January 2016, Rhode Island Housing issued a Request for Proposals (“RFP”) for a firm to provide comprehensive FMLA management and administer all FMLA services. The RFP was distributed to several consulting firms that perform these services and was posted on the website maintained by the Division of Purchasing for the Department of Administration.

Two (2) firms submitted proposals in response to the RFP (i) CareWorks Absence Management and (ii) CBIZ Human Resources Outsourcing & Consulting. The proposals and references were reviewed by the Director of Human Resources and the Deputy Director of Administration in accordance with the RFP criteria. Upon completion of review, senior management selected CareWorks Absence Management based on the following:

CareWorks Absence Management currently offers leave management administration to over 350 clients nationwide. The services they offer include:

- Provide a designated Senior Account Manager to oversee the FMLA program as well as Absence Management Specialist
- Provide a dedicated Registered Nurse responsible for management and validation of medical FMLA claims
- User friendly, web-based systems with 24/7 toll-free reporting line for employees to report FMLA absences
- Customer Service available for staff Monday – Friday from 7 am -8 pm
- Education, training and consulting services for staff
- Web-based Claim Access, Data Integration and Reporting complying with HIPAA
- Weekly reports to the Human Resources Division and quarterly on-site visits.

CareWorks Absence Management’s has the depth, experience and expertise to ensure consistency and compliance with FMLA and the Americans with Disabilities Act (“ADA”). The proposed cost of engagement will include:

1. Initial set-up fee of \$1,000.
2. Ongoing charges for FMLA administration billed at a rate of \$2.40 per employee per month (“PEPM”).
3. Optional ADA Amendment administration billed at a rate of \$0.45 PEPM.

The proposed cost of engagement in any one year will not exceed \$8,000.

When all the factors were considered, senior management determined that CareWorks Absence Management’s proposal represented the most responsive bid and would provide the best value to Rhode Island Housing.

Commissioner McCleary, Chair of the Management Committee, stated that the Committee had considered the proposal and recommends approval in light of the tremendous risk posed by HIPPA violations. He also pointed out the large differential in the quality of the submissions and the score variations.

Upon a motion made by Commissioner DiBiase and seconded by Commissioner McCleary, the following motion was unanimously approved:

Resolution of the Board of Commissioners of Rhode Island Housing

Resolved: That Rhode Island Housing, be, and hereby is authorized to engage the consulting firm of CareWorks Absence Management to provide comprehensive administrative services for absence management/Family Medical Leave Act program and/or American with Disabilities Act Amendment Act administration, on such terms and conditions as the Executive Director determines to be in the best interests of Rhode Island Housing.

Resolved: That if the Executive Director determines that the engagement of CareWorks Absence Management is not able to be accomplished on such terms and conditions as are in the best interest of Rhode Island Housing, then Rhode Island Housing, be, and hereby is authorized to engage the firm of CBIZ Human Resources Outsourcing & Consulting to provide Family Medical Leave Act administrative and/or American with Disabilities Act Amendment Act administration services on such terms and conditions as the Executive Director determines to be in the best interests of Rhode Island Housing.

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

Approval of Engagement of Consultant for the Lead Hazard Control and Healthy Homes Demonstration Grant Program

Barbara Fields introduced this item and Carol Ventura, Deputy Director, made the presentation.

Since 1994, Rhode Island Housing has invested over \$75 million to provide assistance to Rhode Island residents and property owners facing hazardous lead paint issues through its administration of the federal and state's Lead Hazard Control ("LHC") and Healthy Homes ("Healthy Homes") programs.

The Lead-Safe Homes Program ("LSHP") provides forgivable loans to mitigate the hazards of lead-based paint. LSHP continues to capitalize on its previous experience and expertise gained in managing six lead hazard control grants funded through the U.S. Department of Housing and Urban Development ("HUD"). LSHP is used extensively with the other financing programs offered through the Development Division. In addition, the program is promoted and often accessed by applicants utilizing other Rhode Island Housing mortgage products. Participants in the LSHP may also benefit from home repair program assistance, weatherization, and other financing programs designed to provide safe, healthy and decent housing for families.

In order to secure federal funds through the highly competitive Lead Hazard Control and Healthy Homes Demonstration (“LHCHH”) NOFA, Rhode Island Housing issued a Request for Proposals (“RFP”) seeking proposals from qualified consulting firms to provide grant-writing services and related technical assistance. Rhode Island Housing received two (2) proposals from J. Miller & Associates, Inc. and the Green & Healthy Homes Initiative (“GHHI”). After thoroughly reviewing the proposals and references, staff recommends that GHHI be engaged to provide consulting services and technical assistance with respect to writing a successful grant application for LHCHH funding. GHHI met and/or exceeded the Rhode Island Housing’s selection committee evaluation and criteria outlined in the RFP.

The total cost to provide these consulting services and technical assistance is \$13,750.

Commissioner McCleary, Chair of the Management Committee, stated that the Committee had considered the proposal and recommends approval.

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

**Resolution of the Board of Commissioners
of Rhode Island Housing**

WHEREAS: Rhode Island Housing has conducted a Request for Proposals (“RFP”) to engage a consulting firm to prepare an application for the Lead Hazard Control and Healthy Homes Demonstration Grant Program under the upcoming Office of Lead Hazard Control and Healthy Homes funding round; and

WHEREAS: Green & Healthy Homes Initiative’s (“GHHI”) has significant past experience in providing consulting services, grant writing and technical assistance, which has resulted in successful grant applications for Lead Hazard Control and Healthy Homes funding; and

WHEREAS: Staff recommends engaging GHHI to prepare Rhode Island Housing’s application for Lead Hazard Control and Healthy Homes funding

NOW, THEREFORE IT IS HEREBY:

RESOLVED: That Rhode Island Housing be, and hereby is authorized, to engage GHHI to prepare Rhode Island Housing’s application for Lead Hazard Control and Healthy Homes funding at a cost not to exceed \$13,750.

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, including without limitation the authority to negotiate terms of the engagement as he or she may determine are in the best interests of Rhode Island Housing, and to execute any and all agreements or documents as he or she deems necessary to carry out the foregoing.

Approval of Engagement of Attorney for Single Family Loan Closing Services

Barbara Fields introduced this item and Nicole Clement, General Counsel, gave the presentation.

In late 2015, Rhode Island Housing issued a Request for Proposals from law firms interested in providing some or all of the following legal services to Rhode Island Housing for 2016 and 2017:

- General Counsel/Issuer's Counsel
- Litigation Counsel
- Multi-Family Loan Closing Services
- Single Family Loan Closing Services
- Foreclosure and Bankruptcy Services
- Tax Lien Foreclosure Services
- State Housing Appeals Board Counsel
- NSP/Land Bank Counsel

Notice of the RFP was posted on the web site maintained by the Division of Purchasing of the Department of Administration and Rhode Island Housing's web site. In addition, notice of the RFP was provided to approximately 150 attorneys and law firms that had previously expressed an interest in providing legal services to Rhode Island Housing. Fifty-five firms submitted proposals in response to the RFP, several of which offered to provide services for more than one of the above substantive areas.

Several staff committees were established by the various business lines to review proposals for services within their respective areas. The proposals received for reviewed and evaluated in accordance with the RFP criteria.

On January 21, 2016, the Board of Commissioners adopted a list of law firms/legal counsel in various disciplines to be engaged to provide legal services to Rhode Island Housing.

Rhode Island Housing's customers come from a variety of linguistic and cultural backgrounds. Due to an increase in single family lending activity and the number of customers from various linguistic backgrounds, the demand for single family loan closing services attorneys, with similar linguistic backgrounds, has grown.

Stella Guerra Law Offices, LLC ("SGLO") submitted a proposal in response to the RFP. The staff committee reviewed the proposal of SGLO and evaluated it in accordance with the RFP criteria. The staff committee determined that not only did SGLO meet the criteria outlined in the RFP the firm also possessed the linguistic fluency essential to meeting the needs of Rhode Island Housing's customers.

Commissioner McCleary, Chair of the Management Committee, stated that the Committee had considered the proposal and recommends approval. After some discussion about the availability of Spanish language versions of forms, it was requested that for at least unofficial purposes, that these forms are made available.

Upon a motion made by Commissioner McAllister and seconded by Commissioner Rogers, the following motion was unanimously approved:

**Resolution of the Board of Commissioners
Of Rhode Island Housing**

WHEREAS: Rhode Island Housing has a need for the services of an attorney for single family loan closing services; and

WHEREAS: No legal personnel employed by the state on a full-time basis is available to provide such services; and

WHEREAS: Rhode Island Housing has budgeted sufficient funding in its annual budget for these services; and

WHEREAS: Stella Guerra Law Offices, LLC has the appropriate professional licenses, competence, as evidenced by their formal training, education and experience, and ability, as evidenced by the availability of adequate personnel, equipment and facilities, to perform the services competently and expeditiously;

NOW, THEREFORE IT IS HEREBY:

RESOLVED: That Stella Guerra Law Offices, LLC be engaged to provide single family loan closing services to Rhode Island Housing.

RESOLVED: That the Executive Director, or her designee, be and hereby is authorized to take any and all actions, including specifically the authority to engage the firm for such other legal assignments as may be in the best interests of Rhode Island Housing; to negotiate terms of the engagement that will standardize fees between firms for provision of similar services; to negotiate such other terms as she may determine are in the best interests of Rhode Island Housing; and to execute any and all agreements and to take such further actions as she deems necessary to carry out the forgoing resolutions.

Authorization for the Extension of the Mortgage Credit Certificates Program And Allocation of Unused Private Activity Bond Authority

This item was introduced by Barbara Fields, and the presentation was given by Michael Milito, Deputy Assistant Director.

This Request for Action (“RFA”) is for authorization to allocate up to \$97,937,500 in unused private activity bond authority to be issued as Mortgage Credit Certificates (“MCCs”) under Section 25 of the Internal Revenue Code (the “Code”).

Under state and federal law, Rhode Island Housing has authority to issue tax-exempt mortgage revenue bonds (“MRBs”) to be used for the purchase of primary residences by borrowers who

meet the applicable IRS requirements. Each state receives an allocation of private activity bond authority from the US Department of the Treasury. In turn, the state allocates this bond authority to state entities that are authorized to issue tax-exempt bonds, such as the Economic Development Corporation, the Student Loan Authority, the Airport Corporation and Rhode Island Housing. Because Rhode Island Housing is the only issuer permitted to carry forward bond authority to successive years, we are assigned any unused state authority each year.

In past years, Rhode Island Housing primarily funded its mortgage lending activity with proceeds from the sale of tax-exempt private activity bonds since the rate that was achievable was less than rates available in the private mortgage market. However, due to the upheaval in the capital markets in recent years, the interest rates achievable through the sale of tax-exempt bonds are no better than the rates available through more conventional mortgage products. Consequently, Rhode Island Housing has responded to this changed environment and now funds most of its loans through new financing platforms, including Fannie Mae and Ginnie Mae. As a result of this funding shift, Rhode Island Housing has unused tax-exempt volume cap, including \$97,937,500 that will expire at the end of 2016.

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

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

In late 2013, the Board authorized the reestablishment of the MCC program, known as the FirstHomes Tax Credit, and allocated \$75,000,000 in unused private activity bond authority to be issued as MCCs to qualifying homebuyers. Due to strong demand, the Board allocated an additional \$118,910,000 to the MCC program in late 2014 and \$112,280,000 in 2015. Rhode Island Housing began taking applications under the FirstHomes Tax Credit program on July 1, 2014. The Program has proven to be immensely popular with homebuyers and our participating lenders. To date, Rhode Island Housing has entirely exhausted the MCC authority available

under the 2013 allocation and virtually all of the 2014 allocation. We have closed or reserved about 60% of the 2015 allocation and expect that the remaining authority will likely be exhausted by August 2016. There is a 90 day public notice requirement before we can begin issuing MCCs under the 2016 program, so it is important that we start the process as soon as possible in order to have access to the 2016 funding before prior funds are fully committed and avoid any program interruption.

In light of the strong demand for the product, and the availability of \$97,937,500 in private activity bond authority that will expire at the end of 2016, staff recommends that this expiring volume cap be allocated to the MCC program to extend our ability to issue MCCs to eligible borrowers. Because there is no other viable use of the expiring bond authority, we can provide this benefit to borrowers at no cost to Rhode Island Housing.

Commissioner McCleary, Chair of the Management Committee, noted that the Committee had reviewed and recommended approval of this item.

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**

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) is a duly organized and existing body politic and corporate, not a state agency, but an independent instrumentality exercising essential public functions under the constitution and laws of the State of Rhode Island (the “State”); and

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

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

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

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

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

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

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

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

WHEREAS, in connection with such MCC program Rhode Island Housing desires to elect not to issue up to \$97,937,500 of private activity bonds which it could otherwise issue (including from any unused carryforward from prior calendar years); and

WHEREAS, pursuant to Section 146 of the Code, Rhode Island Housing has previously directed its Executive Director to file with the Internal Revenue Service (the "IRS") Form 8328 or such other applicable form to carry forward unused private activity bond volume cap allocated to Rhode Island Housing for the calendar year 2012; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEBRASKA INVESTMENT FINANCE RHODE ISLAND HOUSING, AS FOLLOWS:

Section 1. Rhode Island Housing finds and determines that it is necessary to exchange its authority to issue up to \$97,937,500 of private activity bonds for the authority to issue MCCs. Rhode Island Housing directs the Executive Director to make one or more elections, pursuant to Section 25 of the Code, not to issue up to an aggregate of \$97,937,500 of private activity bonds (the "nonissued bond amount") that Rhode Island Housing is authorized and has volume cap available to issue (including any unused carryforward). The nonissued bond amount shall be allocated to an MCC program to be established by the Executive Director under this Resolution. To effectuate the foregoing, the Executive Director is directed to file notice of such election or elections with the Internal Revenue Service, as required by the Code and the regulations.

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

Housing deem necessary and advisable, and are incorporated by reference as part of this Resolution.

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

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

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

Section 6. Rhode Island Housing ratifies and approves the use of any unused private activity bond volume cap allocated to Rhode Island Housing and previously carried forward for the calendar year 2012 in connection with the issuance of MCCs.

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

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

Authorization Regarding USDA Section 533 Housing Preservation Grant

Barbara Fields introduced this item and Carol Ventura, Deputy Director, made the presentation.

This Request for Action is for approval to apply for federal grant funding through the USDA Rural Development Section 533 Housing Preservation Grants program.

The Housing Preservation Grants program (“HPG Program”) provides financial support for the repair and rehabilitation of housing for low-income and very low-income people. In particular, HPG Program funds may be used to provide grants or loans to homeowners and owners of rental property to repair or replace major building systems or make accessibility improvements. The HPG Program serves rural areas and towns with populations up to 20,000 and certain tribal lands.

Rhode Island Housing is applying for a \$50,000 HPG Program grant to provide assistance to existing multifamily rental developments in USDA-eligible areas. Properties must contain at least five units. Funds will be used to provide 15-year deferred and amortizing loans (depending on

project underwriting) to support the following rehabilitation activities: energy/conservation improvements, capital needs improvements, and/or other activities that will extend the useful life and functionality of the development. Participating owners must agree to a 15-year affordability restriction, which will be recorded in the land records. Eligible properties are likely to have been previously financed with USDA or Rhode Island Housing resources and, as a result, may already be subject to affordability restrictions exceeding the proposed 15-year period.

Rhode Island Housing staff has submitted a packet of preliminary application materials to the local USDA staff for review. An electronic pre-application will be submitted to USDA Rural Development via grants.gov on or before the March 15 deadline.

Commissioner McCleary, Chair of the Management Committee, noted that the Committee had reviewed and recommended approval of this item. He pointed out that it made sense to invest in this relationship.

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

**Resolution of the Board of Commissioners of
Rhode Island Housing**

WHEREAS, Through the Section 533 Housing Preservation Grants program (“HPG Program”), USDA Rural Development offers financial support for the repair and rehabilitation of housing for low-income and very low-income people; and

WHEREAS, Rhode Island Housing has determined that participation in the HPG Program would provide an opportunity to create and preserve safe and sanitary rental homes for low-income and very low-income persons residing in rural areas in Rhode Island, consistent with Rhode Island Housing’s organizational purpose;

NOW, THEREFORE, IT IS HEREBY

RESOLVED, that the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person be and each of them is hereby authorized and directed to execute and deliver to USDA Rural Development, on behalf of Rhode Island Housing, any applications, agreements, documents, certifications or other instruments (or any amendments thereto) necessary for Rhode Island Housing to participate in the Fiscal Year 2016 Section 533 Housing Preservation Grants program.

RESOLVED, that all actions previously taken by the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person regarding Rhode Island Housing’s participation in the Fiscal Year 2016 Section 533 Housing Preservation Grants program be and are hereby ratified.

RESOLVED, that the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person be and each of them is

hereby authorized and directed to perform any action they deem necessary and in the best interests of Rhode Island Housing to carry out the foregoing resolutions.

Authorization Regarding Capital Magnet Fund Program

This presentation was made by Carol Ventura, Deputy Director.

This Request for Action is for approval to apply for federal grant funding through the Capital Magnet Fund Program (the “CMF Program”) and, if successful, to operate a project consistent with CMF Program’s objectives. While this initial application will seek a grant for Fiscal Year 2016, it is anticipated that the CMF Program will become an annual competition. If Rhode Island Housing receives an award pursuant to the 2016 funding round, future applications are expected to follow.

The Capital Magnet Fund Program is an initiative of the Community Development Financial Institutions Fund (“CDFI Fund”), a component unit of the U.S. Department of Treasury. The CMF Program provides financial support to community development financial institutions and eligible non-profit organizations to undertake affordable housing activities and economic development projects. Eligible uses of CMF Program funding include a wide range of development, rehabilitation, and financing activities. Funds may be used in support of expanding homeownership and/or rental opportunities for families earning up to 120% of area median income.

The CMF Program requires that all families assisted under the affordable housing component must have incomes at or below 120% of area median income. In addition, a percentage of every award must be used to serve a mix of families with incomes below 50% of area median income.

As one of the primary objectives of the CMF Program is to encourage private investment in affordable housing and economic development projects, the CMF Program also requires leveraging of program funds on a 10:1 basis. Low income housing tax credit equity and the proceeds of tax exempt bonds both meet the Program’s definition of private capital.

Rhode Island Housing currently has a number of tools to support the development or preservation of homes for families with incomes up to 60% of area median income. However, few of these tools are available to expand housing opportunity for families earning between 60% and 120% of area median income. Based on current rental levels and construction costs, development of rental housing to serve this income group is not financially feasible. As a result, there is a shortage of rental housing for families earning between 60% and 120% of area median income. At the same time, these families are increasingly cost burdened. Rhode Island Housing is looking for ways to provide support for this “missing middle,” and believes the Capital Magnet Fund Program presents an excellent opportunity for targeting working families.

Rhode Island Housing’s CMF Program proposal will request approximately \$6 million to capitalize an affordable housing fund. The fund will offer secondary financing for the development and rehabilitation of multifamily rental projects offering housing for families earning up to 120% of area median income. These funds will be used in combination with the proceeds of low income housing tax credits and tax-exempt bond financing, or both, and owner equity. Although the mix of funding sources will vary among projects, at least 20% of the units

will target families earning below 50% of area median income. Development Division staff have identified a pipeline of projects likely to seek participation, in the event that Rhode Island Housing's grant application is successful.

As of March 2, Rhode Island Housing staff has filed a pre-application with the CDFI Fund to signal the agency's intention to submit an application for CMF Program funds. The final grant application is due on March 30.

Commissioner McCleary, Chair of the Management Committee, noted that the Committee had reviewed and recommended approval of this item with the caveat that they would request that Rhode Island Housing connect with Commerce on this to make the application even stronger.

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

**Resolution of the Board of Commissioners of
Rhode Island Housing**

WHEREAS, Rhode Island individuals and families earning between 60% and 120% of area median income appear to be increasingly cost-burdened with respect to the cost of housing; and

WHEREAS, Rhode Island Housing already makes use of a number of programs and initiatives in order to finance housing opportunities primarily for individuals and families earning up to 60% of area median income; and

WHEREAS, Rhode Island Housing has access to comparatively few resources for serving individuals and families earning more than 60% of area median income; and

WHEREAS, Through the Capital Magnet Fund Program, the Community Development Financial Institutions Fund offers financial support for a range of affordable housing and economic development activities, including the financing of housing opportunities for families earning up to 120% of area median income; and

WHEREAS, Rhode Island Housing has determined that participation in the Capital Magnet Fund, both for Fiscal Year 2016 and on an annual basis thereafter, would further the stated purpose of the agency to address the shortage of safe and sanitary residential housing available to persons and families of low and moderate income, the elderly, workers, and their families;

NOW, THEREFORE, IT IS HEREBY

RESOLVED, that the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person be and each of them is hereby authorized and directed to execute and deliver to the U.S. Department of Treasury, on behalf of Rhode Island Housing, any applications, agreements, documents, certifications or other instruments (or any amendments thereto) necessary for Rhode Island Housing to participate in the Fiscal Year 2016 Capital

Magnet Fund Program, and such further applications, agreements, documents, certifications or instruments (or any amendments thereto) as may be necessary for Rhode Island Housing to participate in the Capital Magnet Fund Program in future funding rounds.

RESOLVED, that there shall be established among Rhode Island Housing's programs an affordable housing fund, to be funded with the proceeds of any Capital Magnet Fund Program grant (and any other such funds as the Executive Director determines to be the best interests of the agency), which shall be administered in a manner consistent with all applicable Notices of Availability (NOFAs) and rules and regulations of the Community Development Financial Institutions Fund.

RESOLVED, that all actions previously taken by the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person regarding Rhode Island Housing's participation in the Capital Magnet Fund Program be and are hereby ratified.

RESOLVED, that the Chair of the Board of Commissioners, the Executive Director, each Deputy Director, and the designee of any such person be and each of them is hereby authorized and directed to perform any action they deem necessary and in the best interests of Rhode Island Housing to carry out the foregoing resolutions.

There being no further business to discuss, the meeting was adjourned at approximately 9:45am.

Respectfully submitted:

Barbara Fields, Executive Director and Secretary