

Draft

**MINUTES OF MEETING
OF THE TRUSTEES OF THE
AFFORDABLE HOUSING TRUST**

A meeting of the Trustees of the Affordable Housing Trust Fund of Rhode Island Housing and Mortgage Finance Corporation was scheduled for Thursday, June 21, 2007 at 9:30 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Trustees in attendance were Richard Godfrey, Thomas Hogg and Mr. Marouchoc Michael Milito, Deputy Assistant Director of Law and Human Resource, and Anne Berman, Assistant Director of Development were also present.

Pursuant to Chapter 46 of Title 42 of the General Laws of Rhode Island, notice of the meeting of the Trustees was posted in the Offices of Rhode Island Housing, and at the first floor bulletin board in the State House.

The Trustees convened the meeting at approximately 10:00 a.m.

Approval of Minutes of the Affordable Housing Trust Fund Meeting Held September 28, 2006 and October 3, 2006

Upon a motion made by Tom Hogg and seconded by Richard Godfrey the following was approved:

VOTED: That the Minutes of the Affordable Housing Trust Fund Meetings held September 28, 2006 and October 3, 2006 be, and hereby are, approved.

Firm Approval of Financing for Medina Apartments

Mr. Godfrey presented this request.

This Request for Action (RFA) is for Firm Approval of a loan from the Affordable Housing Trust (AHT) for Medina Village Apartments (Medina Village), an existing family housing development originally financed by the Department of Housing and Urban Development (HUD). Medina Village received Firm Approval for acquisition and permanent tax-exempt financing from Rhode Island Housing's Board of Commissioners in May of 2007.

Medina Village consists of eighty-three (83) units in twenty-two (22) walk-up apartment buildings located in the West End of Providence. The property contains twenty-four (24) one-bedroom units, twenty-two (22) two-bedroom units, thirty (30) three-bedroom units and seven (7) four-bedroom units. Developed in 1980 under the Section 8 moderate rehabilitation program, Medina Village currently receives rent subsidies under a Section 8 Housing Assistance Payment (HAP) contract. Due to poor management of the property, HUD took all management responsibility from the current owner, Medina Associates, and directed it to sell the property. HUD hired a third party management company to manage the development.

SHK, LLC, a Rhode Island limited liability company, together with Westerly Associates, a Massachusetts non-profit corporation, will purchase the property from the existing owner. The prospective owners have requested mortgage restructuring through HUD's Mark-to-Market (M2M) Program to preserve the property's long term physical and financial viability as affordable housing.

The M2M program is a federal HUD program designed to preserve affordable housing stock and reduce HUD's liability for Project Based Section 8 contracts. Under M2M HUD typically reduces rents to market rents. If market rents prove insufficient to pay operating expenses and debt service, the FHA-insured loan is restructured. In some cases, "Exception Rents", which are rents set higher than market rents, are approved. The owner typically is provided a new 20 year HAP contract. Once rents are determined, a new mortgage that is supported by these rents is determined. If the new mortgage supportable by the approved rents is less than needed to pay off the existing HUD loan, the remainder of the original loan is treated either as a deferred second mortgage, a non-performing mortgage, or some combination of both. .

Since 2005, SKH has been working with HUD and Rhode Island Housing to develop a refinancing/restructuring plan acceptable to all parties. HUD has approved Exception rents for Medina. Given the extensive rehabilitation required, there will not be sufficient proceeds to pay off HUD's current loan. HUD will allow the new Owner to assume the existing debt. .

Although HUD has not yet issued a firm commitment for the current restructuring transaction due to yet-to-be completed program requirements, HUD has given informal approval of the proposed financing structure and has indicated that the issuance of firm commitment will be on an "expedited" basis. With approval of this RFA, Rhode Island Housing will be in a position to close the transaction as quickly as possible following issuance of firm commitment.

Currently, 27 of the 83 units are vacant. Extensive renovations to the existing buildings, which range in age from 40 to 70 years, will be necessary to bring them up to Rhode Island Housing's standards. The proposed rehabilitation includes new roofs, siding, windows and exterior doors. Extensive interior unit upgrades will be completed, including electrical and plumbing systems, and kitchens, bath and flooring repairs. Common area upgrades, fire protection upgrades, a new security system, and site improvements will also be conducted. A property condition assessment was conducted in 2004 and has been updated to confirm the proposed scope of rehabilitation work. Based on this updated analysis, the new owner will establish a reserve to cover the costs of necessary upgrades and improvements forecasted in future years.

The primary sources of financing consist of a 40 year tax exempt mortgage supported by the lower of market rents or HAP rents, a second tax exempt mortgage from Rhode Island Housing that is supported by the difference between market rents and the HAP rents, syndication proceeds from the sale of 4% tax credits, the requested loan from the Affordable Housing Trust and a deferred HUD loan.

Upon a motion made by Mr. Marouchoc and seconded by Mr. Hogg the following resolution was unanimously adopted:

**Resolution of the Board of Trustees
of The Affordable Housing Trust Fund**

Whereas: The Affordable Housing Trust Fund (the “Trust”) is authorized to make loans to mortgagors or sponsors for the development of housing to be occupied by low- and moderate-income persons or families in Rhode Island;

Whereas: The applicant (“Applicant”) listed below has presented an application to the Trust requesting a loan to acquire and rehabilitate the buildings known as Medina Village Apartments as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>Trust Loan</u>
Medina Village Apartments	SHK, LLC/ Westerly Associates	\$1,460,800.00

Whereas: Trustees have reviewed the submission and determined that the Development qualifies for a loan under the Trust Agreement dated July 1, 1988, as amended; and

NOW, THEREFORE, IT IS HEREBY:

Resolved: That, subject to the special conditions listed below, the Trust hereby declares firm commitment of a loan to SHK,LLC/Westerly Associates, in an amount not to exceed \$1,460,800.00 for scattered site rental housing located in the West End of Providence, Rhode Island;

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

- Approval, closing and disbursement of financing from Rhode Island Housing Mortgage and Finance Corporation. ???? OHAP approval??

Resolved: That the Trustees are authorized to set the terms and conditions of the loan as they seem advisable and in the best interests of the Trust, and be, and are hereby authorized to take any actions as they deem necessary to carry out this Resolution.

There being no further business, a motion to adjourn the meeting at 10:10 a.m. was made by Mr. Hogg and seconded by Mr. Godfrey.

Respectfully submitted,

Richard Godfrey,
Secretary and Executive Director