

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, October 21, 2010 at 9:15 a.m. at the Offices of the Corporation, 44 Washington Street, Providence, RI.

Trustees in attendance were Richard Godfrey, Thomas Hogg and Mark Noble. Susan Bodington, Deputy Director; Michael Miltio, Deputy Assistant Director of Law and Human Resources 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 9.37 a.m.

Approval of Minutes of the Affordable Housing Trust Fund Meeting Held August 19, 2010

Upon a motion made by Mr. Hogg and seconded by Mr. Noble, the following was approved:

VOTED: That the Minutes of the Affordable Housing Trust Fund Meeting held on August 19, 2010 be, and hereby are, approved.

Approval of Financing for Marvin Gardens I

Mr. Godfrey gave this presentation.

This Request for Action (“RFA”) is for firm approval of financing for Marvin Gardens I (the “Development”), an existing Section 8 development in Providence. Cathedral Development Group (“CDG”) has requested financing through Rhode Island Housing’s Preservation Program.

Located in Providence, Marvin Gardens I is a 121 unit development consisting of 109 one-bedroom units and 12 two-bedroom units. The development was originally constructed and financed by Rhode Island Housing in 1978 with Section 8 rental assistance through a Housing Assistance Payment (HAP) contract. The HAP contract was renewed in 2010 and now extends through 2030.

In 1990, the property was acquired by Willow Street Associates LP with financing provided by Rhode Island Housing. The general partner of Willow Street Associates is Property Advisory Group (“PAG”). PAG is an affiliate of CDG. As part of that transaction, Willow Street

entered into an extended affordability agreement in exchange for Rhode Island Housing's prepayment approval.

In October 2009, the Board gave preliminary approval for the sale of the property to Omni Development Corp., which intended to acquire and rehabilitate the property. However, Omni was unable to identify a tax credit investor and its purchase and sale agreement expired. Since the expiration of this offer, CDG determined that it could refinance and rehabilitate the Development using tax exempt financing and housing tax credits. CDG has received a Letter of Intent from the Stratford Capital Group for purchase of housing tax credits and an acceptable appraisal has been delivered. CDG will form a new partnership and acquire the property from the current owner. The new ownership entity will execute another Regulatory Agreement to maintain the long term affordability of the Development. Staff has been working with the borrower for an extended period of time and most of the due diligence has been completed. Therefore, preliminary approval was deemed unnecessary and staff is recommending firm approval.

Marvin Gardens I has a substantial amount of deferred maintenance which has contributed to a higher than average vacancy rate in a subsidized project as well as an inadequate debt service coverage ratio. The proposed transaction will enable CDG to implement significant capital improvements to the buildings. Based on an extensive review by CDG's management staff and a capital needs assessment, the developer is proposing \$2.5 million in renovations to ensure the long term viability of the property. The proposed scope of work includes fire code compliance upgrades; new mechanical systems to increase efficiency and decrease utility expenses; new roofs; replacement of all windows and siding and repairs to the brick facade; parking lot resurfacing, the construction of new retaining walls and removal of underground storage tanks. Additional interior improvements include upgrade of the common areas, elevator improvements, and bath and kitchen upgrades.

The extensive rehabilitation should alleviate the vacancy issues resulting in improved operating efficiencies. Marvin Gardens I has experienced security breaches, drug activity and other issues that negatively impact the building's operations and contribute to the high vacancy levels. The proposed operating budget includes funding for adequate staffing levels including a Resident Services Coordinator and an increased security budget to address the current problems.

The primary source of financing for the transaction will be a 40-year tax-exempt first mortgage from Rhode Island Housing supported by the lower of market or HAP rents. Other sources include a \$600,000 loan from the Affordable Housing Trust and equity from the sale of 4% low income housing tax credits.

The Request for Action is for commitment of financing for Marvin Gardens in an amount not to exceed \$600,000.

Upon a motion made by Mr. Hogg and seconded by Mr. Godfrey 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 refinance and rehabilitate 121 units of existing housing as set forth below (the “Development”):

<u>Development</u>	<u>Applicant</u>	<u>AHT Loan</u>
Marvin Gardens	Cathedral Development Group	\$600,000

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 Cathedral Development Group or its assignee in an amount not to exceed \$600,000 for rental housing located at in Providence, Rhode Island.

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

- Evidence, satisfactory to the Trust, of sufficient financing to undertake the proposed transaction.
- Completion of all items required by Rhode Island Housing for closing in accordance with normal underwriting and processing requirements.

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 9:41 a.m. was made by Mr. Godfrey and seconded by Hogg

Respectfully submitted,

Richard Godfrey,
Secretary and Executive Director