Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
August 10, 2022

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation ("RIHousing") Board of Commissioners was held on Wednesday, August 10, 2022 at 9:30 a.m. The meeting was held at the main office of the Corporation, 44 Washington Street, Providence, RI 02903, Conference Boardroom and via telephone conference call.

Carol Ventura, Executive Director, opened the meeting and introduced Carl Rotella, Director of Information Technology, who outlined the parameters of the meeting.

Mr. Rotella stated that (i) this meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for specific RIHousing staff participating telephonically in the meeting, all callers would be muted during the meeting. Mr. Rotella also asked that to prevent any feedback or background noise, telephone participants to please mute the telephone if not speaking. Additionally, Mr. Rotella announced that if during the meeting anyone had technical difficulties with audio or accessing the call, they should call (401) 457-1240.

Next, Corinne Myers, General Counsel, provided additional guidance for the meeting. Ms. Myers stated that the meeting was being held in person with all members of the Credit Committee appearing in person and specific RIHousing staff participating via teleconference. Members of the public were invited to access the meeting in person or via teleconference according to their preference. Additionally, members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Myers also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff member state their name prior to speaking for the benefit of listeners and to mute the phone when not speaking. She then invited Committee Chairman Orth to call the meeting to order.

A quorum being present, Committee Chairman Orth introduced himself and officially called the meeting to order at approximately 9:35 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff in attendance.

Ms. Ventura conducted a roll call of Commissioners participating in the meeting. Commissioners participating were: Committee Chairman Orth, Maria Barry and Sara Cabral, Designee for Elizabeth Dwyer, Interim Director of the Department of Business Regulation. Josh Saal, Secretary of Housing was also present.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Anne Berman, Director of Real Estate Development; Lisa Primiano, Chief Operating Officer; Michael DiChiaro, Director, Leased Housing and Rental Services; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on June 8, 2022

Committee Chairman Orth noted that he was the only Committee member present that attended the June 8, 2022 Credit Committee meeting and recommended postponing the approval of the minutes until the September Credit Committee meeting. The Commissioners agreed with Committee Chairman Orth's suggestion.

Corinne Myers, General Counsel, then stated that the approval of the June 8, 2022 Credit Committee minutes was deferred until the September meeting.

2. Recommendation for Approval of Housing Production Fund Extremely Low-Income Operating Reserve (HPF-ELI) Awards

Committee Chairman Orth announced that Anne Berman, Director of Real Estate Development would give the presentation.

Ms. Berman began by saying that the Housing Production Fund ("HPF") was established by the State of Rhode Island General Assembly in June 2021 by amendment to Rhode Island General Laws Section 42-128, known as the Housing Resources Act of 1998, to provide funding for the planning, production, and preservation of affordable housing. RIHousing was authorized by the General Assembly to administer HPF program funds for a range of housing production initiatives. The enabling legislation for the HPF specifically establishes a priority for households either exiting homelessness or earning not more than thirty percent (30%) of area median income.

In conjunction with the Rhode Island Housing Resources Commission Coordinating Committee, RIHousing has established program guidelines for the Housing Production Fund - Extremely Low-Income Operating Reserve ("HPF-ELI") Program to support units serving households earning 30% AMI or below; and the General Assembly has appropriated $10,000,000 for this purpose. Under the HPF-ELI, funds will be awarded to capitalize a project operating reserve to ensure that developers can create and preserve affordable rental housing for families and individuals with very low income including those who are homeless or at risk of being homeless. These funds will bridge the gap between residents' ability to pay 30% of their gross household income toward rent and the established 50% Low-Income Housing Tax Credit rents for the applicable unit size.

In March 2022, RIHousing issued a Request for Proposals ("RFP") for HPF-ELI funds from qualified applicants. In response, RIHousing received four proposals requesting $2,927,212 in HPF-ELI funds. Staff from the Development and Leased Housing and Rental Services Divisions reviewed applications in accordance with the published program review criteria.

Of the four proposals received, staff recommends funding for three HPF-ELI proposals in the amount of $1,004,880. HPF-ELI awards will support 15 residential units for 10 years.

Ms. Berman then announced that Michael DiChiaro, Director of Leased Housing and Rental Services would provide information on the projects recommended for approval.

Mr. DiChiaro gave a brief overview of the three (3) projects proposed for funding. He mentioned that staff recommends approval of funding for 213 Garden Street, Pawtucket, Looking Upwards Apartments in Jamestown and Forest Farm Assisted Living facility in Middletown. For each project, Mr. DiChiaro gave a brief description of the properties, specified the amount requested and justification for each proposal.

After Mr. DiChiaro's overview, Ms. Berman said that the allocation of up to $1,004,880 in HPF-ELI funds is recommended for approval, contingent on receipt of the HPF-ELI funds from the State of Rhode Island, availability of all other funding for transactions that have not yet closed; and compliance with HPF-ELI guidelines.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Housing Production Fund Extremely Low-Income Operating Reserve (HPF-ELI) Awards.

A motion was duly made by Commissioner Barry and seconded by Commissioner Designee Cabral.

A brief discussion followed where Commissioner Saal noted that the Garden Street request projects a positive cash flow for 30 years. The Commissioner wanted to know if that assumes the renewal of the operating subsidies beyond 10 years and how the subsidies are spread out during the 10 years. Mr. DiChiaro said that due to the fact that the development contains project based vouchers, those vouchers support the cash flow projections for the whole development.

Commissioner Saal also mentioned that two (2) of the projects are preservation deals and not new construction. He inquired if there are guidelines in place that when units come available that priority is given to house formerly homeless individuals. Ms. Berman confirmed that in the case of Garden Street, the property has use restrictions where priority is given to the 30% or below AMI population. For Forest Farm, 35 of the units must be allocated for Medicaid income eligible residents which are far below the 30% AMI income limit.

Ms. Ventura clarified that the units are not restricted primarily for homeless households but are allocated for extremely low income residents. That is the goal of the HPF-ELI funding program and all three (3) of proposals presented are classified as permanent supportive housing and comply with program guidelines.

Commissioner Saal also wanted to know if Continuum of Care dollars were allocated to the projects. Ms. Ventura and Ms. Berman confirmed that Continuum of Care funds are not utilized.

Commissioner Designee Cabral asked for verification that Forest Farm Assisted Living included expenses for meal allowances. Mr. DiChiaro and Ms. Ventura confirmed that fact.

Additionally, Ms. Ventura stated that these units are building upon the Neighborhood Opportunities Program (NOP). Ms. Ventura said that RIHousing's portfolio contains 343 units that are still subsidized under the NOP program. RIHousing has a reserve of approximately $6 million to continue to support those units. RIHousing is also adding a number of units it supports with the limited subsidy.

Committee Chairman Orth asked if the Corporation foresees this program as an opportunity to improve on a similar program such as NOP. He mentioned that the NOP program was an unfunded mandate where the HPF-ELI program is a 10 year funding that if invested wisely and spent according to projections could create a perpetual funding stream where the interest earned would be used to subsidize the units.

Ms. Ventura agreed noting that the HPF-ELI program is funded from the Real Estate Transfer Tax, where the NOP program funding was an annual appropriation in the budget. This is a program that has previously depleted its resources. The goal is to get residents into permanent supportive housing. Ms. Ventura was hopeful that the Real Estate Transfer Tax would support the units moving forward.

Ms. Berman mentioned that Garden Street incorporates six (6) NOP units. When PCDF (the developer) noted that the units were going to expire, they worked to secure project based vouchers for some of the units.

Ms. Ventura further explained that staff encourages developers to secure project based vouchers for NOP units to ensure stability for the residents.

Committee Chairman Orth then questioned if monitoring procedures are in place to ensure that the funds are properly invested and utilized. Mr. DiChiaro affirmed that staff requires quarterly requisitions and inspections, along with annual rent and income certifications.

Commissioner Barry observed that 25 proposals were received for over $19 million and only four are recommended for approval. Ms. Berman responded that the 25 proposals were for CMF funding not for the HFP-ELI program.

Ms. Ventura said that she was surprised that only four (4) proposals were received for this round. Staff plans to improve on the messaging platform emphasizing that HPF-ELI funds are available to urge as many applicants as possible to apply for the financing.

Ms. Berman explained that presently there's an assortment of financing resources presented. Staff plans on circulating the Consolidated Plan to make developers aware of the opportunities available. Ms. Berman expects a lot of applications to be forthcoming and all the funds to be allocated within the next 12 months.

Commissioner Saal mentioned that there are many vulnerable residents at the low and extremely low income spectrum. Commissioner Saal inquired whether the use of HPF-ELI to cover the meal expense for Forest Farm Assisted Living was an allowable expense. The Commissioner wondered if there were legal guidelines or specifications around that use. He said that staff can follow up once it reviews the matter.

Ms. Ventura said the meal subsidies are part of the assisted living budget. Expenses around general operating expenses are covered by the Medicaid voucher and the Director believes that is an appropriate use of the funds. Traditionally the Medicaid stipend is very low and residents struggle to keep up with escalating expenses, creating a shortfall.

Ms. Berman and Mr. DiChiaro believe that the meal subsidy is acceptable to offset operating costs for units serving households earning 30% or below of AMI. The operating costs are classified as costs associated with the day-to-day operation of a Development. Resident meal service is a customary expense for assisted living residents. Ms. Berman further explained that the Medicaid vouchers covers room, board and meals.

Ms. Ventura assured Commissioner Saal that staff would examine the guidelines and report the findings.

There being no additional comments or questions, Corinne Myers, General Counsel, conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for the Housing Production Fund Extremely Low-Income Operating Reserve (HPF-ELI) Awards was unanimously approved.

3. Recommendation for Preliminary Approval of Capital Magnet Fund Awards

Committee Chairman Orth announced that Ms. Berman would present the request.

Ms. Berman said that RIHousing has received three awards of Capital Magnet Funds ("CMF") from the Community Development Financial Institutions Fund, an arm of the U.S. Department of Treasury. The 2020 CMF Grant award was $5,000,000 and was received in May 2021. Pursuant to program requirements the 2020 CMF Grant Award must be fully committed by May of 2023. There is approximately $1,776,000 in CMF available.

In March 2022, RIHousing issued a Request for Proposals ("RFP") for CMF funds from qualified applicants as part of a consolidated application for a number of funding sources. In response, RIHousing received 25 proposals requesting $19,127,064 in CMF funds. After an initial review of the applications, Development Division staff requested clarifying information regarding apparent deficiencies. Program Review Criteria to evaluate whether the applications contained the required threshold criteria for awards as follows:

1. Applicant must demonstrate ability to proceed to closing on all financing and begin construction within nine months of commitment.
2. Applicant must demonstrate that the development is financially feasible for (i) the overall development costs of the project and (ii) the long-term operation of the proposal.
3. Applicant must demonstrate that the development has a reasonable likelihood that it will achieve sustainable occupancy of 95% within six months of construction completion. For mixed income proposals that meet the 20% at 50% or 40% at 60% set asides, the applicant must submit a third-party market study that includes an absorption schedule, lease-up reserve and identifies the timeline for achieving 95% occupancy.
4. The developer must have experience in the successful development and operation of affordable housing of similar scope and complexity.

Those applications that passed threshold were further reviewed by Development staff in accordance with the program criteria to evaluate whether the applications met the required CMF priorities for awards as follows:

- Proposals that provide for the highest leveraging of other federal, state and private resources.
- Proposals located in Areas of Economic Distress and Qualified Census Tracts.
- Proposals that require at least 40% of the units to provide housing for households with incomes below 50% of AMI.
- Proposals that address critical housing needs that includes addressing housing obsolescence.
- Preservation of existing affordable housing stock

RIHousing program staff met with senior staff and reviewed the applications based on threshold and scoring criteria. As a result of that review, four (4) CMF proposals seeking program resources in the amount of $1,776,001 are being recommended for preliminary reservation at this time. The recommended developments will help build or preserve 325 units, 308 of which will be CMF assisted.

Committee Chairman Orth thanked Ms. Berman for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Capital Magnet Fund (CMF) Awards.

A motion was duly made by Commissioner Barry and seconded by Commissioner Designee Cabral.

Following the motion, Committee Chairman Orth asked if anyone had questions.

Ms. Ventura took a moment to congratulate and acknowledge that RIHousing has been successful in their application for the most recent CMF funding awards. RIHousing has received $12 million in financing for this round. Staff has effectively deployed CMF program dollars in the last four (4) funding rounds. The recent CMF application was the most competitive and largest award to date. Ms. Ventura commended staff on the achievement.

Commissioner Saal asked for clarification that the Avenue was two separate buildings and those were connected. Ms. Berman explained that it's actually multiple separate buildings that are being combined into one single financing unit to streamline operating efficiencies.

Commissioner Saal also observed the scheduled closing date of 2023 and wanted to know if that was the date that CMF funds needed to be expended. Ms. Berman confirmed that the first dollar of the grant must be expended within three (3) years and the last dollar has to be expended within five (5) years.

Committee Chairman Orth noted that the guidelines specify that the developer must exhibit readiness to proceed within nine months.

Ms. Ventura remarked that this project is a great addition for the neighborhood. Commissioner Saal agreed with that sentiment.

Corinne Myers, General Counsel, then conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for Preliminary Approval of the Capital Magnet Fund Awards was unanimously approved.

4. Recommendation for Approval of Prepayment for Georgiaville Manor (Smithfield)

Committee Chairman Orth once again asked Ms. Berman to proceed with the presentation.

Ms. Berman began by noting that the request is purely an administrative action. She then said that the request was for approval of the prepayment of the existing first mortgage loan of Georgiaville Manor (the "Development"), an affordable housing development for elderly and disabled households situated in Smithfield.

The Development consists of 54 apartment units with 50 one-bedroom and 4 two-bedroom units. All units receive project-based Section 8 rental assistance. The Development was most recently refinanced in 2007 with financing from RIHousing. The Development's 40-year Regulatory Agreement expires in 2047.

Under RIHousing's Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (as amended, the "TPA Regulations"), project owners must obtain RIHousing's approval and comply with RIHousing's administrative procedures for the transfer of physical assets and prepayment of the mortgage before conveying, assigning, or transferring any ownership interest in a multifamily housing project.

The owner of the Development is Georgiaville Apartments, L.P. (the "Owner"). The Owner is refinancing the property with Rockport Mortgage Corporation using an FHA Section 223(f) insured loan. The proceeds from the refinancing will be used to pay off the existing first mortgage. RIHousing has determined there is no prepayment penalty associated with the loan payoff. No changes to the term or substance of the existing RIHousing Regulatory Agreements are contemplated.

The current property manager is KCEE Property Management, LLC ("KCEE"). The Owner and management company are affiliated entities. No change in the management agent is contemplated. The Development received an 88c on its most recent REAC score and KCEE provided a list of capital improvements made over the past few years.

Committee Chairman Orth thanked Ms. Berman for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Prepayment for Georgiaville Manor (Smithfield).

Commissioner Barry announced she would recuse herself from the discussion and vote as her employer is Bank of America.

A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

Following the motion, Committee Chairman Orth asked if anyone had questions. None were presented.

Corinne Myers, General Counsel, then conducted a voice vote of the Commissioners. The commissioners voted to approve the motion with two (2) votes in favor, Commissioner Barry recusing and zero (0) nay votes

Ms. Myers then officially stated that the recommendation for Approval of Prepayment for Georgiaville Manor (Smithfield) was approved.

5. Recommendation for Approval of Transfer of Physical Assets (TPA) for Westfield Lofts (Providence)

Committee Chairman Orth again invited Ms. Berman to present the request.

Ms. Berman commenced by saying the that the subject transaction was a procedural and administrative matter to comply with RIHousing's TPA regulations. She then said that the approval was for the transfer of the limited partnership interest in Westfield Lofts Apartments (the "Development"), a mixed-income housing development for families located in Providence.

The owner of the Development is Westfield Development Associates, L.P. The current general partner of the development is Rau Development Corporation which holds a .01% interest in the partnership. The current investor limited partner in the Development is Santander Bank, N.A. (the "Limited Partner"). The Limited Partner holds a 99.99% limited partner interest. The Limited Partner intends to withdraw and sell its partnership interest to Hope Renewed Realty Corporation (the "Transferee") Both the current general partner and the Transferee are affiliated with West Elmwood Housing Development Corporation ("WEHDC"), the developer.

The current property manager is First Realty Management Corporation. The owner and management company are not affiliated entities. No change in the management agent is contemplated. Westfield Lofts has been well maintained and, 17 years following syndication, remains an attractive place to live with 22 affordable units and 47 market rate units. WEHDC has indicated that they plan a resyndication in the future; however, for the foreseeable future, they will continue to operate the building consistent with current operations.

The Transferee will assume all existing obligations encumbering the Development. Bank of America, N.A. ("BOA") is the current permanent lender for this transaction and their loan matures this year. The initial compliance period expired in 2020. RIHousing has a Targeted Loan in second position. WEHDC is working on a refinance with Greystone Servicing Company, LLC that is expected to occur in the next several months. Our Targeted Loan will remain in second position.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets (TPA) for Westfield Lofts (Providence).

Commissioner Barry again announced that she would recuse herself from the discussion and vote as her employer is Bank of America who is the permanent lender for Westfield Lofts.

A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

Committee Chairman Orth asked if the targeted loan would remain in place or if it requires to be refinanced. Ms. Ventura stated that staff would check regulations to confirm that matter.

Following the comment, Corinne Myers, General Counsel, then conducted a voice vote of the Commissioners. The commissioners voted to approve the motion with two (2) votes in favor, Commissioner Barry recusing and zero (0) nay votes.

Ms. Myers then officially stated that the recommendation for Approval of Transfer of Physical Assets (TPA) for Westfield Lofts (Providence) was approved.

6. Recommendation for Approval of Final 2023 Qualified Allocation Plan

Committee Chairman Orth said that Ms. Berman would provide information on the revisions to the proposed 2023 Qualified Allocation Plan.

Ms. Berman said that at the June 16, 2022 meeting, RIHousing Board of Commissioners preliminarily approved a proposed draft and authorized publication of RIHousing's intent to adopt the 2023 Qualified Allocation Plan (the "2023 QAP"), which governs the allocation of low-income housing tax credits ("LIHTC"). On June 20, 2022, RIHousing published notice of a public hearing on the proposed draft of the 2023 QAP in the Providence Journal and Noticias Rhode Island, and on June 20, 2022, notice was posted on RIHousing's website.

A public hearing was held on July 13, 2022 via video conference with approximately 10 attendees. Written comments were also received from two parties.

Ms. Berman then stated that she would not go through all the changes but would highlight the most pertinent and notable for the Committee.

Ms. Berman then summarized the edits staff proposed implementing.

Staff proposes additional changes to the proposed draft of the 2023 QAP as summarized below to address public and Credit Committee comments and to correct some clerical errors.

Section III (pages 26 and 30 of blackline)	Restore Total Development Cost ("TDC") cap
Section III(A) (page 31 of blackline)	Add language referring applicants with hybrid transactions (4%/9%) to a Program Bulletin outlining hybrid transaction requirements
Section III(A) (page 31 of blackline)	Add specific reference to the use of gap financing in mixed income LIHTC transactions
Section III(B) (page 31)	Updated Scoring Summary
Section III(B) – Financing Points (page 32 of blackline)	Increase points for TDC efficiency from 20 to 25 points
Section III(B) – Financing Points (page 34 of blackline)	Add points for the creation of 3 bedroom or larger units
Section III(C) – (page 44 of blackline)	Clarify the Walk-Score criteria to reflect updated conditions as applicable

The 2023 QAP will become effective upon (i) final approval by the Board of Commissioners; (ii) approval by the Governor; and (iii) posting to the RIHousing website as a guidance document.

1. Summary of Public Comments

Comment 1

We received several comments from the public and one from the RIHousing Credit Committee regarding elimination of the absolute Total Development Cost (TDC) per unit limit.

RIHousing received two written and two verbal comments voicing approval of the recommendation in the Draft 2023 QAP to eliminate absolute TDC caps. Respondents pointed to both Connecticut and Massachusetts which have eliminated TDC per unit caps and the volatile construction market which has driven up construction costs over the past 24 months. These four respondents also requested that should TDC caps be reinstated extraordinary conditions should be excluded from the TDC per unit cap, similar to the exclusions allowed under the weighted average score. The respondents' list went beyond the current extraordinary costs in the QAP and sought to include ledge removal and historic preservation costs. Conversely, the Credit Committee voiced concern about the elimination of TDC caps due to national concerns related to cost containment.

Staff has (i) analyzed transactions that have either closed recently or have recent pricing and (ii) reviewed national data related to construction costs to better understand actual costs for recent transactions. Staff also reviewed both the Connecticut and Massachusetts QAPs to understand their approach to cost effectiveness. While the Massachusetts QAP doesn't have a TDC cap, they do have per unit subsidy limits and LIHTC limits, and the Connecticut QAP has construction cost per square foot limitations. In review of actual costs for RIHousing funded projects, there is variance in the percentage increase from 3% to 12% in cost based on the type of construction.

Therefore, as requested by the Credit Committee of the Board of Commissioners, staff is reinstituting the TDC cap from the previous QAP and increasing it by 10%. The new unweighted absolute TDC per unit will be $429,000 net of reserves. The TDC per building types used to determine the weighted average for scoring purposes are also being modified. To incentivize developers to be considerably lower than the caps, we are simultaneously increasing points for cost effectiveness using the weighted average TDC.

Comment 2

The commenter Messolella Development Corp. provided 8 written comments, one of which included TDC caps and was addressed in Comment 1.

a. **The commenter suggests that "projects in cities and towns that are not at the 10% levels should be given first priority when awarding credits regardless of project scoring."**

   The QAP is a statewide document with "dual and equal goals of (a) increasing the supply of affordable housing in communities that have traditionally had a lack of such housing; and (b) reinvesting in urban neighborhoods where housing may be substandard, blight is common, and the housing is part of an overall neighborhood revitalization strategy." The current QAP scoring allocates 10 points to communities with less than 10% affordable housing.

   Over the past several years, the scoring has resulted in a fairly even allocation of awards between urban, suburban and rural communities, including communities with less than 10% affordable housing. Given the statewide mandate of the QAP and the diversity of points included within the current scoring, staff does not recommend allowing lower scoring proposals in communities with less than 10% affordable housing be given priority in awarding LIHTC allocations.

b. **The Commenter questioned the allocation of 3 points for non-profit developers**

   In the 2021 QAP the criterion for non-profit developers was tightened to require incorporation in the state and a track record of community engagement. The points associated with this category was increased from 1 to 3 because RIHousing recognizes the value of mission-based organizations, their commitment to the communities within which they work, and their long-term commitment to affordability and community revitalization regardless of whether they are in urban or non-urban communities. No change is recommended.

c. **Commenter suggests that points be given for applicants that have fee simple interest in a property since it demonstrates commitment to the project**.

   The current QAP requires Readiness to Proceed as one Threshold Criteria. Incumbent within this criterion is Site Control, which can be demonstrated through either a deed, Purchase and Sale Agreement or Option to Purchase. Additionally, given Choice Limiting Actions associated with certain federal funding, developers may be prohibited from purchasing a property until certain federally mandated environmental reviews are completed. Therefore, no change is recommended.

d. **Commenter does not feel that the Walk Score metric accurately reflects access to goods, services and amenities since it is not updated on a regular basis.**

   Staff has reviewed the criteria within Walk-Score and other similar applications. Walk-Score is the most comprehensive application to evaluate "walkability" but is not always updated to reflect recent improvements to an area. Therefore, staff agree with the commenter and have added the following language: "consideration will be given to proposed developments where the Walk-Score information does not reflect recent changes to the area surrounding the proposed development."

e. **Commenter believes that the cost of Passive Housing construction methodologies outweighs the benefits but has a significant effect on weight of the scoring as it affects TDC.**

   Energy efficiency is a statewide goal and is included in several gubernatorial and legislative policies and priorities. The cost of the technology required to meet passive house specifications varies considerably. In several recent projects the additional cost was less than 5% of the total construction budget. Therefore, no change is recommended.

f. **Commenter is questioning the points for provision of Supportive Services given that not all residents need or want services**.

   RIHousing firmly believes that its mission is both to provide housing and serve communities. The Corporation's mission statement is "RIHousing strives to ensure that all people who live in Rhode Island can afford a healthy, attractive home that meets their needs. A good home provides the foundation upon which individuals and families thrive, children learn and grow, and communities prosper." Part and parcel to this is incentivizing developers to partner with service providers to support residents in a wide variety of ways. RIHousing does not dictate what services should be provided or require residents to use these services. The maximum number of points in this category is 4. Therefore, no change is recommended.

g. **Commenter believes that subsidizing internet access for LIHTC eligible residents should be eliminated due to the financial burden on the project.**

   The provision of internet in the QAP has been modified this year to meet the requirements of the Affordable Connectivity Program included in the 2021 Federal Infrastructure Bill which requires resident participation. Should a developer choose to participate, the cost of providing internet service to residents is less than in the 2022 QAP. In addition, the number of points allocated to the provision of internet has been reduced from 5 to 3 points. Therefore, no change is recommended.

Comment 3

The commenter S.W.A.P. provided 5 written comments, one of which included TDC caps and is addressed in Comment 1 above.

a. **Commenter believes the points associated with graduation rates should be eliminated since it favors suburban towns that receive 10 points for less than 10% LMI units.**

Points associated with education were added last year to recognize that access to a good education can lead to lower poverty rates, increased college attendance and earning power. The previous metric was difficult to understand and measure. Graduation rates are published annually and easy to measure. The current list of graduation rates illustrates that some urban communities would receive points in this category and some non-urban communities would not earn points. We also note that there are other scoring metrics in the QAP that favor urban communities over non-suburban communities, and this is part of the balance between meeting our twin goals as outlined above in Comment 2 (a). Therefore, no change is recommended.

b. **Commenter suggests that if we want to incentivize broadband, we should simply require it and not include in the scoring.**

Because there is a cost associated with the provision of broadband and it can have an impact on a developer's operating budget, staff believes that it should not be mandated but rather an option that is incentivized through the scoring. Therefore, no change is recommended.

c. **Commenter questioned allocating points for the provision of mixed income units.**

Studies have shown that in Rhode Island, housing units are needed across all income bands, not just for those below 60% of area median income. In addition, studies have shown that mixed income communities can alleviate the harms of concentrated poverty, and improve services and neighborhood conditions, particularly for lower income residents. Language has been added to the QAP to ensure that for any project proposing market rate units, the gap funding request must be used to primarily support the development of the affordable units, not the market rate units. Therefore, with this additional language, staff recommends no additional changes.

d. **Commenter wants to ensure that with the elimination of in-person presentations, applicants have an opportunity to clarify questions that a reviewer may have.**

Staff agrees with this comment. As part of staff review, all applicants will be provided a written list of questions or clarifications and will have an opportunity to respond accordingly.

Comment 4

The commenter Barbara Sokoloff Associates provided 4 written comments, one of which included TDC caps and is addressed in Comment 1 above.

a. **Leveraging other financing: With the inclusion of hard debt as other financing, and the prevalence of mixed income projects, many projects maximize the points in this category with hard debt only. A project with hard debt that also leverages historic tax credits, FHLB, other innovative financing, etc. scores the same as a project with hard debt only. That seems to defeat the intent of this category.**

Staff has reviewed the scoring from the last two funding rounds and agrees that there should be an opportunity to differentiate non-hard debt sources and incentivize other sources of financing. Therefore, we recommend modifying the scoring to provide a broader opportunity to leverage points in this section.

b. **Energy efficiency/sustainability and rehab: The energy efficiency points may be disadvantaging rehab projects vs. new construction. It is much more feasible for new construction to achieve Tier III / Net Zero / Passive House; in many cases, it is impossible for rehab to achieve Tier III / Net Zero / Passive House. Maybe a**

point offset elsewhere for rehab using less construction materials than new construction?

The QAP covers a broad number of categories and policy goals. There are points in the QAP that are more geared to rehabilitation than new construction (e.g., rehabilitation of blighted buildings and preservation of green fields) that balance points for passive housing. Therefore, staff does not recommend a change in this category.

c. **Special populations: We would like to see some point consideration for housing for special populations, beyond a general family/elderly population. Not households below 30% AMI or with supportive services (those are already addressed in the QAP), but populations that are not currently served / struggle to find housing, such as LGBTQ, etc.**

Currently the QAP awards points for serving people "(i) who have income at or below 30% of median income, (ii) are homeless and coming from the Coordinated Entry List or (iii) have special needs." Many demographic groups including LGBTQ people experience challenges identifying affordable housing, such that it would be difficult to support prioritizing any one over another. Furthermore, preferences for certain classes could raise fair housing implications. Staff does not recommend a change in this category.

Comment 5

The RIHousing Credit Committee had several comments upon approval of the draft QAP, including the elimination of TDC caps which was discussed in Comment 1.

a. **Develop a policy for hybrid (4%/9%) deals and reference hybrid deals in the QAP.**

Staff has prepared a Program Bulletin outlining requirements for hybrid transactions and added language to the QAP referencing these requirements. The requirements will also be included in the Developer's Handbook. Two requirements of note are:

- To the extent feasible, units must be prorated across each project (tranche) by bedroom size based on the percentage of unit sizes in each tranche (e.g., all the 1-bedroom units cannot be in one project, while 2-bedroom units are in the other project).
- The gap funding request (i.e., non-equity) must be used primarily to support the development of the affordable units, not the market rate units.

b. **Given the disproportionate number of one- and two-bedroom units approved over the past several years, consider points for larger bedroom units**

Staff agrees that the scoring as currently written appears to disincentivize larger units, and while demographic data suggests that families are getting smaller, developers have conveyed that they have long waiting lists for three-bedroom units and larger. Staff also notes that the Massachusetts QAP requires at least 10% of the units in a development to have three bedrooms. Therefore, we have added points for the provision of larger bedroom units.

c. **Look at mixed income deals and the amount of subsidy per affordable unit**

The Credit Committee had concerns that in certain situations it appears that market rate units are not wholly self-sustaining and are being partially subsidized with the gap financing allocated to the affordable units. Therefore, as noted in Comment 3(c) language has been added to address this concern.

In closing, Ms. Berman stated that a blacklined and clean copy of the proposed Plan were included as part of the June 8, 2022 Credit Committee package.

Committee Chairman Orth thanked Ms. Berman for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of the Final 2023 Qualified Allocation Plan (QAP).

A motion was duly made by Commissioner Barry and seconded by Committee Chairman Orth.

Following the motion, Committee Chairman Orth asked if anyone had questions.

A brief dialogue followed. Commissioner Barry referenced the change recommended regarding allocation of points for three bed units and the limit placed on the number of points allowed.

Mr. Comer explained that in prior years staff and the development community observed that one bed units were in short supply and staff adjusted the allocation of points to address that issue. The new adjustment is to meet the need seen in the marketplace. The change is market driven.

Commissioner Barry asked if a market study was commissioned. Ms. Ventura said the market study has not been commissioned, primarily due to rapid changes in the environment. Ms. Ventura did acknowledge that Commissioner Saal has been charged with assessing the needs of the State and producing a state housing plan that will address those issues.

Commissioner Saal asked if a formal analysis was initiated on the wait list to determine where the need exists. Ms. Berman clarified that the 9% tax credit applications require that the need for specific units must be confirmed by the community. Ms. Ventura further explained that RIHousing tackles the topic on an individual project level.

Commissioner Saal also asked if there are any other unit size restrictions. Ms. Berman said there are no other unit size requirements in the Plan. The Plan allows for efficiencies, one, two, three and larger bed unit construction. Ms. Berman said that staff has found that the dynamic of the average household includes single parents with a male and female child, thus they would require a three bed unit. Ms. Berman remarked that there are a fair number of households in that category, therefore the QAP incorporates accommodations for all unit sizes.

Commissioner Designee Cabral wanted to know if housing for senior is included as part of the Plan. Ms. Ventura confirmed that RIHousing does finance senior developments.

Committee Chairman Orth referenced the gap financing criteria and stated that he was pleased with the inclusion of clarifying language regarding utilization of subsidies. However, he felt that the language was still a bit vague. He wanted to know if staff has explored allocating a specific amount for allowable subsidies.

Ms. Berman affirmed that RIHousing has contemplated that scenario, however, it is very difficult to calculate an actual dollar amount that is reasonable in all situations. Especially during a challenging economic and taxing supply chain climate. Ms. Berman noted the suggestion and said staff will take it into consideration to revisit the subject.

Committee Chairman Orth suggested producing a guideline for the Corporation that includes a formula that would be consistent and a safe harbor for the organization.

Commissioner Barry asked if the market rate units are also subsidized. Ms. Berman responded that anything over 60% AMI is not subsidized. Commissioner Saal speculated if after five (5) years staff can capture surplus funds to pay the debt.

Ms. Berman replied that most of the developments generate very little cash flow surplus on most of the deals, even with market rate rents. Essentially, they just break even. Ms. Berman hopes that the Consolidated RFP expected to be distributed in October will help that situation.

Following the discussion, Corinne Myers, General Counsel, conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for the Approval of Final 2023 Qualified Allocation Plan (QAP) was unanimously approved.

7. Discussion:

    a. Pipeline Report

Committee Chairman Orth asked Ms. Berman to give the pipeline report.

Ms. Berman began by saying that she would keep the report brief especially as evidenced by the numerous deals the Board approved in May and June. Staff is engaged in various closings and actively working on 20 new construction and preservation deals.

Ms. Berman was pleased to share that the Treasury Department announced new streamlined guidance that will significantly increase the ability of state and local governments to use Coronavirus State and Local Fiscal Recovery Funds to support the development of affordable housing. The new guidance allows states and localities to use recovery funds to make long-term loans to affordable housing developments, as long as units are targeted to tenants earning 65% of area median income or lower for a minimum of 20 years.

Continuing, Ms. Berman said that the new guidance will allow RIHousing to use RI Rebounds funds in both 4% and 9% transactions based on standard practice. Prior to the new guidance, the use of recovery funds in LIHTC deals was severely restrained.

Committee Chairman Orth inquired if the supply chain situation is impacting costs for developers. Ms. Berman responded that supply concerns are definitely a factor for owners, contractors and developers. However, staff works closely with the industry to assist developers and to ensure that they do not return to RIHousing requesting additional revenue.

Committee Chairman Orth also asked if developers are reworking deals or in some cases backing away from commitments.

Mr. Comer stated that presently no one is backing away from commitments and are moving forward with their projects. The challenge is that the number of contractors and subcontractors is limited.

Ms. Berman also mentioned that the rise in interest rates is disturbing. The FFB program is relatively stable and Ms. Berman was thankful for that situation. Ms. Ventura remarked that she hopes that investors stay interested and engaged in producing affordable housing in Rhode Island.

Ms. Berman confirmed that LIHTC are holding steady and is hopeful it will continue.

Commissioner Barry agreed saying that she believes the market will be fine for this year, but 2023 Rhode Island might be facing a different scenario. Developers cannot construct housing for free therefore, additional tax credits will be needed. Developers will likely have to balance higher deals.

Commissioner Saal commended staff on performing a great job with the pipeline. The pipeline is very important for housing matters and adjusting and shifting to move projects forward will be an important factor in furthering affordable housing.

In closing, Ms. Berman also applauded the development team for their accomplishments.

There were no votes taken regarding this item.

At this point the meeting Commissioner Barry left at approximately 10:39 a.m.

b. Fiscal Year (FY) 2023 Operating Budget and Staffing Changes

Committee Chairman Orth invited Ms. Ventura to give the FY 2023 budget presentation.

The Executive Director said that she would walk through the budget highlights for the Committee. Ms. Ventura referred the Committee to the budget package that included a summary memorandum, the programmatic and operating budget forecasts, and various charts and graphs.

Ms. Ventura said that the operating budget reflects forecasts incorporating current, projected and economic and market conditions. Despite some challenges, the budget shows the corporation's continued financial strength, stability and dedication to housing. Next, Ms. Ventura said that the budget reflects higher operating administrative and IT expenses. Those expenses impact the budget with a decrease from prior year's budget of $8.3 million.

Ms. Ventura noted that operating expenses reflect increases relating to administration of the new federal grant programs, which is offset by fees for reimbursement of those costs. The budget also displays various capital expenses including server replacements for information technology and HVAC system upgrades. Additionally, personnel expenses include merit increases for staff along with the addition of four new positions.

Ms. Ventura remarked that RIHousing also expects a decrease in homeownership programs based on the high interest rate environment, high real estate prices and low inventory throughout the state. Ms. Ventura approximated the decrease to be 17%.

Continuing, Ms. Ventura confirmed that staff will continue to work on programs to offset those factors, including down payment assistance, expanded education and outreach to homebuyers. The Governor's budget also allocates $30 million for down payment assistance which will help RIHousing's typical borrowers with an additional $17,500 for purchasing a home.

For multi-family rental development, Ms. Ventura anticipates an increase in the number of new units produced. The increase is primarily due to new housing development programs created by the State from the American Rescue Plan Act (ARPA) and increased funding for existing federal programs.

The proposed budget for FY23 projects bottom line Net Revenue of $5.3 million. This is a decrease over the prior year Net Revenue budget of $8.3 million.

Ms. Ventura informed the Committee that Net Interest Income is the largest component of revenues and indicates a small decrease from prior year budget. This is due to bond issuance costs. Single family production is estimated at $420 million with 80% funded through tax-exempt bond financing and 20% through the TBA market. This results in lower current year earnings that are reflected in the Gain on Sale of Loans.

Furthermore, fee income reflects adjustments relating to administration of new Federal programs. Staff anticipates the close out of the Rental Assistance program and implementation of new housing production programs for rental development. The fees displayed are reimbursement for operating expenses of staffing and administration for the programs.

Ms. Ventura also noted that the budget reflects a reduction for loan losses reserve of $1 million. That is a decrease from prior years as the Corporation has adequate reserves to cover first mortgages but anticipates some ancillary losses in second mortgage products.

Ms. Ventura then referred the Committee to pages four (4) and five (5) of the budget package and briefly touched on the $2.7 million program budget; noting the various programs RIHousing administers and funds. Ms. Ventura said that RIHousing continues to focus and fund community development housing and down payment assistance programs among other critical programs.

Ms. Ventura also informed the Committee that the graph on page six (6) depicts RIHousing's budgeted revenue where fee income is the largest component of the budget.

Page seven (7) outlined budget expenses for the organization. Administrative operating expenses such as personnel expenses were the largest factor of the budget. RIHousing presently employees 25 temporary employees and those primarily for the administration of the Federal programs.

Finally, Ms. Ventura said that page eight (8) depicted a pie chart of revenue by division. The chart displayed the breakdown of total revenue and total expenses by division. Ms. Ventura noted that the Development Division drives the Corporation's revenue. Ms. Ventura acknowledged that staff has budgeted a 3.5% merit increase and increases in health and dental benefits.

The Executive Director noted a decrease in outside services and that is due to close out of some federal programs.

Ms. Ventura then asked if Ms. Lachapelle had any additional comments. Ms. Lachapelle said that Ms. Ventura did an excellent job of summarizing the budget. Ms. Lachapelle said she also looked at what the difference would be if the budget did not reflect the Federals programs and that change is relatively small, approximately 1.1%.

She confirmed that operating expense increased approximately 7% but that was due to merit increases and investment in information technology services and the increase in inflation.

Ms. Ventura further explained that investment in DEI initiatives and implementation of IT software applications have increased expenses.

Ms. Ventura then welcomed questions from the Committee.

Commissioner Designee Cabral referenced the decrease in expenses for external service providers and wanted to know if that is tied to the closure of the Federal programs.

Ms. Ventura confirmed that fact saying that external service providers would no longer be required, specifically as staff is winding down the RentReliefRI program.

Commissioner Saal thanked Ms. Ventura and suggested that for the Board meeting that staff could explain how RIHousing's budget aligns with the Strategic Plan. He mentioned that it would be helpful if the budget outlined how it correlated to the Plan and priorities identified. Additionally, Commissioner Saal asked that staff keep in mind how the State's investment in housing affects the budget and how the two work together.

Committee Chairman Orth noted that as outlined in the program budget, it shows the discretionary funding of $2.7 million which correlates to some of the strategic priorities. Ms. Ventura agreed explaining that the Corporation has more flexibility in its operating dollars for programs than the State programs.

Committee Chairman Orth then asked why expenses are increasing when activity should be decreasing. Ms. Ventura clarified that the increase is for additional staff for all new programs, temporary staff to support the Homeowner Assistance Program and higher investment in technology operations. Last year's budget included the RentReliefRI and HAF costs at a higher amount of $9 million for administration of the federal programs. This year, the budget forecast is for $7 million. Primarily the costs are for personnel, services and software expenses.

Committee Chairman Orth agreed that technology is a huge investment and asked where the $4.2 million was directed.

Lisa Primiano, Chief Operating Officer said that amount includes the yearly fee for Yardi services for the RentReliefRI program, the Homeowner Assistance Program along with costs for the introduction of new software (ProLink) for the Asset Management and Development Divisions.

Committee Chairman Orth questioned if expenses for the RentReliefRI program are needed since the program is winding down. Ms. Primiano confirmed that fact. Ms. Lachapelle further explained that the budget reflects ongoing fees for the retention of data for the RentReliefRI program through the end of December.

Ms. Ventura remarked that personnel expenses are slated to increase. That increase is attributed to the 3.5% merit increase and salary and benefits for four (4) new full time employees. Additionally, there's a need for temporary staff for new State programs, along with the added expense of additional technology equipment and services for those staff.

Ms. Ventura then further expounded by explaining that there are varying levels of temporary staff. Some temporary personnel is hired through employment agencies, while others are temporary full time employees working on programs that receive health benefits and another category is temporary staff that is tied to specific programs and grants. Those specific grants do expire and that staff is no longer needed.

Committee Chairman Orth recognized that acquiring and retaining competent staff in this environment is extremely difficult. The competition is high and requires incentives from employers. The Committee Chairman wondered if the merit increase proposed was enough to keep RIHousing competitive and retain present staff.

Ms. Primiano explained that the previous year, the Corporation commissioned a compensation study to address that issue. RIHousing made adjustments to salaries not in line with the market and modified accordingly. The merit increase would be in addition to the adjustment just performed.

Mr. Comer expounded by saying senior staff reviewed where each individual employee was on the pay scale to determine how to adjust salaries. The hybrid work environment also makes RIHousing very competitive in the marketplace. Moreover, the search firms RIHousing hired for recruitment purposes have applauded the hybrid work week.

Ms. Ventura said that the Corporation has a nice balance of remote/in office options that is attractive to potential candidates. RIHousing is in line with other HFAs, noting that there are many HFAs that are requiring staff to work in the office the entire week. Fortunately, turnover at the organization is minimal.

Commissioner Designee Cabral asked if RIHousing works from an applicant pool or if it does everything possible to attract quality individuals from active participation in job fairs to word of mouth recruitment efforts.

Ms. Ventura confirmed that RIHousing has retained competent search firms to guide and direct the Corporation in its recruiting endeavors. Along with the engagement of search firms, RIHousing actively recruits at colleges and universities. Including a flexible work week and a comprehensive benefits package, RIHousing is doing everything possible to obtain and retain quality personnel.

In closing, Committee Chairman Orth thanked Ms. Ventura for the presentation. He said the Committee appreciated the opportunity to discuss the budget.

There were no votes taken regarding this item.

Adjournment

There being no further business to discuss, Committee Chairman Orth asked for a motion to adjourn the meeting. A motion was duly made by Chairman Orth and seconded by Commissioner Designee Cabral to adjourn the meeting.

Corinne Myers, General Counsel, then conducted a voice vote of the Commissioners. The Commissioners unanimously voted to adjourn the meeting.

The Commissioners unanimously voted to adjourn the meeting at approximately 10:57 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

Carol Ventura
Secretary and Executive Director