

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

August 17, 2023

The Regular Meeting of the Rhode Island Housing and Mortgage Finance Corporation (the “Corporation” or “RIHousing”) Board of Commissioners was held on Thursday, August 17, 2023 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 summarized 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 their 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.

Corinne Myers, General Counsel, then provided additional guidance for the meeting. Ms. Myers stated that the meeting was being held in hybrid fashion with all members of the Board of Commissioners 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. Furthermore, 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 stated that Chairman Pryor would preside over the meeting and requested that any Commissioner or staff wishing to comment state their name prior to speaking and telephone participants to mute their phone when not speaking. She then invited Chairman Pryor to call the meeting to order.

A quorum being present, Chairman Pryor introduced himself and officially called the meeting to order at approximately 9:39 a.m. The Chairman then invited Ms. Ventura to proceed with the roll call of Commissioners in attendance.

Ms. Ventura conducted a roll call vote of Commissioners participating in the meeting. Commissioners participating were: Stefan Pryor; James Diossa, General Treasurer; Kevin Orth; Maria Barry and Stephen P. McAllister. Jonathan Womer, Director of the Department of Administration and Elizabeth Dwyer, Director of the Department of Business Regulation were absent.

RIHousing staff participating were: Carol Ventura, Executive Director; Kara Lachapelle, Chief Financial Officer; Peter Pagonis, Director of Homeownership; Leslie McKnight, Deputy Assistant Director of Loan Servicing; Christine Hunsinger, Chief Strategy & Innovation Officer; Anne Berman, Director of Real Estate Development; Bernadette MacArthur, Director of Finance; Elizabeth Bioteau, Director Strategic Initiatives & Partnerships; Amy Rainone, Director Government Relations and

Policy; Guy Pirolli, Manager Facilities and Operations; Nancy Bacon, Director of Accounting; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Brenna McCabe, Deputy Director of the Department of Administration and Steven Richard, Counsel to the Corporation were present as were members of the public.

Approval of Minutes of Board Meeting held on June 15, 2023

Chairman Pryor asked for a motion and a second for the approval of the minutes of the Board of Commissioners meeting held on June 15, 2023. A motion was duly made by Commissioner Diossa and seconded by Commissioner Orth.

There being no discussion, General Counsel Corinne Myers, conducted a voice vote of the Commissioners.

The Commissioners voted to approve the minutes with three (3) votes in favor, Commissioners Barry and McAllister abstaining, and zero (0) nay votes.

As there were two (2) abstentions and a majority vote was not achievable for the Approval of the June 15, 2023 Board of Commissioners Meeting minutes, the vote was carried over for consideration at the September 21, 2023 Board meeting.

Corinne Myers, General Counsel then officially stated that the Approval of the June 15, 2023 Board of Commissioners Meeting minutes would be tabled until the September Board of Commissioners meeting.

Chairman's Remarks

Chairman Pryor greeted everyone and expressed his gratitude for staff's consideration in revising the Qualified Allocation Plan (QAP) for the State of Rhode Island. He praised staff's efforts in incorporating the Credit Committee and partners' comments and recommendations to the final (QAP). He commended staff, the Executive Team, Commissioner Orth and the Committee for the thoughtful and thorough process carried out for the revisions of the 2024 QAP. The Chairman also applauded the public input and collaboration between RIHousing, the Board of Commissioners, the Department of Housing, partners and industry professionals.

Additionally, he commended staff for prioritizing permanent supportive housing and placing emphasis on marketing efforts for vouchers and subsidies to the most vulnerable population. Furthermore, Chairman Pryor was pleased with the clarification underscored regarding 4% tax credit allocations.

The Chairman said it was a very healthy and robust process.

Executive Director's Review of Recent Activities and Trends

Carol Ventura, Executive Director, greeted everyone and announced that in lieu of her monthly report Leslie McKnight, Assistant Deputy Director of Loan Servicing, would provide a review of the Single Family loan portfolio. Additionally, Amy Rainone, Director Government Relations and Policy would provide a brief update of the General Assembly 2023 Legislative session.

She encouraged the Commissioners to review her monthly report at their convenience.

Ms. Ventura then invited Leslie McKnight to give a brief overview on the Single Family Loan portfolio.

Ms. McKnight began by circulating a presentation to the Board of Commissioners outlining the loan serving portfolio. She said that she would provide a brief overview of the performance of the single family first mortgage portfolio, reviewing delinquency, foreclosure and REO trends and the impacts of COVID on the Corporation's portfolio performance.

Ms. McKnight referred the Board to the slides on pages two (2) and three (3) that provided a five (5) year review of pre and post COVID trends. Those trends included the CARES ACT forbearance protections which began in late March 2020 that allowed borrowers to defer up to 18 months of mortgage payments and required only for the borrower to verbally attest to being impacted by COVID. That was different from traditional loss mitigation which required full income documentation evidencing financial hardship.

Delinquencies peaked in December 2020, where 16% of all first mortgages were delinquent. More than 2500 borrowers requested forbearance protection. However, not all were delinquent. Inflation and new FHA loss mitigation options will continue to impact delinquency.

The protections outlined included the suppression of negative credit reporting and suspension of late fees. With the end of the National Emergency in May 2023, borrowers can no longer request COVID forbearance protections but borrowers already in forbearance have until November 2023 to exit forbearance. That will impact on the continuing high level of 90 day delinquency.

While original COVID protections ended in May 2023, inflation and new loss mitigation options will continue to impact portfolio delinquency. In January 2023, FHA announced the expansion of the COVID 19 recovery loss mitigation options to all borrowers in default regardless of reason. As with the original CARES Act provisions, no hardship documentation is required. In response to the impact of rising interest rates on loan modification payment affordability, FHA has also drafted the Payment Supplement Partial Claim. This is a new loss mitigation option for homeowners experiencing financial hardship which will enable borrowers to keep their existing interest rate while temporarily reducing their mortgage payment.

Next, Ms. McKnight referenced the graph on page three (3) that displayed a comparison of portfolio performance over the five (5) year period beginning two (2) years prior to COVID through quarter ending June 2023. The slide portrayed that pre-COVID and post-COVID performance is very similar, specifically in the 30 and 60 day delinquency categories. 90 day and overall delinquency remain higher than pre-COVID levels as borrowers continue to exit COVID forbearance while also continuing to struggle with the impact of inflation.

Page four (4) illustrated that during the COVID period of March 2020 to the end of the National emergency in May 2023, 2570 RIHousing borrowers requested COVID forbearance. However, not all of those borrowers were delinquent. Some requested protections due to the uncertainty they felt about their financial situation. The largest number of requests were received in the initial months of

COVID. 43% of all requests were received in the first six (6) months of COVID with the majority of borrowers having FHA insured mortgages.

Continuing, Ms. McKnight highlighted slide five (5) that addressed COVID exit outcomes. She explained that as borrowers exited COVID forbearance, there were a number of loss mitigation options available to them depending on their ability to resume their pre-COVID mortgage payment. For borrowers who could afford their pre-COVID payments both FHA and FNMA created a deferred payment program which allowed the 18 months of payment forbearance to be deferred to the end of the loan. The payments would be due upon payoff either at sale or refinance.

Regarding borrowers who could not afford to resume their pre-COVID payment there were several loan modification options where deferred payments were capitalized and combined with a term extension and interest rate reduction. In the case of FHA insured loans, borrowers could borrow money from FHA which is referred to as a partial claim and use those funds to reinstate the loan and possibly pay down principal to achieve an affordable payment. HAF funds were also used to leverage the above options for loan reinstatement and principal curtailment to achieve an affordable and sustainable payment.

Ms. McKnight also provided data on completed COVID mitigations. She said that of all the available loss mitigation options, the FHA option known as the Emergency Partial claim which allowed borrowers to resume their pre-COVID payment and defer their delinquent payments to the end of the loan accounted for more than 60% of all COVID loss mitigation exit options.

Ms. McKnight then reviewed pages seven (7) and eight (8) regarding the performance of the loans which exited COVID forbearance using one of the options previously addressed. Ms. McKnight stated that in March 2021, RIHousing began tracking COVID loss mitigation redefaults. As stated, COVID loss mitigation options were streamlined to allow for immediate mortgage payment relief and borrower protections. The new guidelines only required a verbal confirmation that the borrower could afford their payment. 62.5% of borrowers who received an FHA Emergency claim have re-defaulted. However, redefault could also be attributed to the lack of traditional financial documentation and/or due diligence procedures. Ms. McKnight emphasized that borrowers overwhelmingly cited inflation as their reason for redefault.

Despite the redefaults, RIHousing is able to consider borrowers for additional loss mitigation options including a second Emergency claim or loan modification. The amount of assistance a borrower may be eligible for will depend on how much prior assistance the borrower received.

Finally, Ms. McKnight reported on the 16 year history of completed foreclosures/REO activity including during the recession, the COVID pandemic and post COVID periods. The highest period of foreclosure activity was in 2011 but the impacts of the Great Recession were felt from 2009-2014.

The lowest period of foreclosure activity was during the COVID foreclosure moratorium which began in late March 2020 and ended in December 2021. Despite the resumption of foreclosure initiations in early 2022, the Corporation has not experienced a significant increase in completed foreclosures or REO properties. The increased loss mitigation options are resulting in fewer completed foreclosures and the strong real estate market is ensuring that properties that do go to foreclosure sale are selling to third parties at sufficient amounts to satisfy the full debt owed.

Ms. McKnight then asked if anyone had any questions.

Commissioner Orth asked for clarification on the percentage of borrowers that received COVID mitigation relief that have defaulted. Ms. McKnight said that it was a rolling number and she did not have that information available but said she would research the matter. The slide that depicted that number relates to a point in time calculation that is done on a monthly basis.

Commissioner Orth referenced that 485 number reported for June for redefaults and asked if that represents approximately 20% of redefaults. Ms. McKnight affirmed that the number is 20% of the 2500 number but that does fluctuate on a monthly basis. Some borrowers redefault, others reinstate on their own and still others have additional loss mitigation options that they will utilize to reinstate. Ms. McKnight emphasized that it's a moving number.

Commissioner Orth then asked what Ms. McKnight felt was the takeaway from the redefault issues.

Ms. McKnight explained that it's a couple of different issues. The lack of documentation in the traditional loss mitigation allowed staff to modify the payment for a specific period of time. That would allow the borrower to show they had the ability to afford the modified payment. One may say that the lack of documentation to evidence that the borrower can afford the payment is one of the reasons for the high level of redefaults. Also, with the exit of COVID, borrowers felt confident that they could resume their original mortgage payment. Then inflation hit and the reality is that inflation has a significant impact on RIHousing's customer base. The average borrower does not have a lot of reserve. Staff has seen that inflation has had a bearing on customers who would normally have been able to afford their payments.

Commissioner McAllister asked if there were any surprises or unexpected issues detected. Ms. McKnight did not believe there was anything unexpected that was perceived. COVID had a significant impact on many customers along with the period of unemployment that highly affected borrowers. Ms. McKnight did acknowledge that customers may have taken advantage of the COVID options even if they were not impacted by COVID. Especially as they did not need documentation and self-attestation was allowed. Some borrowers may have taken advantage of that option and used it as security in the event something went wrong. Ms. McKnight felt that those options did change borrower's spending patterns. As borrowers did not have to pay their mortgage for 18 months, they potentially had more spending dollars available for other things. Getting people back into a payment plan and evaluating their budget and spending decisions is going to be the biggest challenge.

Chairman Pryor referenced the second to last slide of the presentation that summarized the historical trends of COVID. He asked for clarification on the notation for reduced real estate owned properties. He requested an explanation on that outcome. Ms. McKnight replied that RIHousing is fortunate not to have many foreclosures. Primarily as the Corporation has options to mitigate foreclosures. The foreclosures that staff is observing is where the property goes to sale at auction. The property is either bought by a third party or RIHousing takes it back and sells it at an amount to satisfy the mortgage owed and/or fair market value. RIHousing is not taking the inventory back into its portfolio as was the case during the recession. During that period, property values were less than the obligation on the property. In today's market, the value of the property tends to exceed the debt owned, and therefore there are people willing to purchase those properties at auction.

Chairman Pryor thanked Ms. McKnight for the information.

Following Ms. Knight's presentation, Amy Rainone reported on the outcome of the 2023 Legislative session.

Ms. Rainone commenced by saying that the 2024 legislative session delivered a robust number of bills. She mentioned that RIHousing tracked approximately 322 bills including an unusually large number of bills dealing with housing. Additionally, she stated that the State FY 2024 budget added \$71.5M in State Fiscal Recover Funds (SFRF) for housing and homeless programs for a total investment of \$321.5M. That is the largest investment in housing to date.

Continuing, Ms. Rainone also said the FY2024 budget created and allocated \$30 million for a State Low Income Housing Tax Credit to be administered by the Dept of Housing; authorized a "Proactive Housing Development" subsidiary of RIHousing and clarified the roles and responsibilities of the Department of Housing. Additionally, the budget allocated funding for 38 full time employees for the Department of Housing.

Ms. Rainone then proceeded with a recap of the major bills that staff tracked. Bills that were a priority for RIHousing included the Foreclosure Mediation Bill which was requested by RIHousing that removes the July 1, 2023 sunset making the foreclosure mediation program permanent.

The Speaker's package contained 13 bills primarily dealing with streamlining the development process and removing barriers to housing development including: bills that eliminate the State housing Appeals Board (SHAB) and revises the comprehensive permit review process; revise the local development approval process; streamline the process for approval of variances/special use permits; establish by-right adaptive reuse of commercial properties for residential uses; establish pilot Transit Oriented Development program; and strengthen housing elements of local comprehensive plans and sets minimum density bonuses/affordable housing levels in inclusionary zoning ordinances.

Additionally, Ms. Rainone said that a landlord and tenant bill prohibits landlords from charging an application fee. Landlords may not charge tenants for required background or credit checks if provided by tenant within 90 days of application. Otherwise, landlord may charge only the cost for securing the background and credit check and must provide the reports to the applicant. The legislation is effective January 1, 2024.

Continuing, Ms. Rainone announced that legislation was approved that requires the Secretary of Housing to create a written, consumer guide of landlord-tenant laws to be updated biennially. The legislation takes effect January 1, 2024.

Legislation also passed that provides for the sealing of court files in residential eviction proceedings under certain conditions and takes effect January 1, 2024.

Other areas of concentration for the General Assembly pertained to lead mitigation, requiring owner occupants of pre-1978, 2-3 unit properties to comply with the state's lead law. A lead related escrow account bill establishes an escrow account for tenants to deposit their rent whenever the leased property is not compliant with the lead hazard risk reduction provisions in state law and is effective upon passage.

Furthermore, a bill was introduced that requires landlords to register certain property identifying information on a statewide registry and for pre-1978 properties, to provide a valid certificate of conformance with the lead hazard mitigation act. Landlords would be prohibited from evicting tenants for nonpayment if they are not in compliance with that section. The legislation takes effect upon passage, with compliance with registry requirements by October 1, 2024.

Next, Ms. Rainone stated that the General Assembly also focused on solar and renewable energy. A bill for EV parking spaces requires electric vehicle parking spaces in new and existing parking lots that undergo an expansion of 50% or more. New, existing, or rehabilitated private housing developments with more than 20 units would need to comply. Projects awarded or under development prior to January 1, 2024, are exempt from this legislation. The legislation takes effect July 1, 2023.

Finally, a state energy conservation code was proposed that requires the State Building Code Committee to revise the State Energy Conservation Code to meet 2024 International Energy Conservation Code (IECC) electric readiness provisions within one year of the release. It amends the existing language to require commercial buildings to meet or exceed the most recently published IECC or achieve equivalent or greater energy savings. The legislation takes effect upon passage.

Ms. Rainone then welcomed questions from the Commissioners. None were presented.

Commissioner McAllister commended Ms. Rainone for the information provided and the long nights and hard work involved in monitoring the legislation session. He appreciated her efforts.

Approval of External Charitable Donations and Contributions

Chairman Pryor announced that Carol Ventura, Executive Director would give the presentation.

Ms. Ventura said that the request was for firm approval and ratification of external Charitable Donations and Contributions of RIHousing pursuant to the Quasi-Public Corporations Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws (the “Act”).

RIHousing is a public corporation of the State of Rhode Island. In carrying out its statutorily-defined public purposes, RIHousing collaborates with a number of organizations that share and advance its mission. In some instances, RIHousing is asked to financially support programs and activities of organizations engaged in activities that are consistent with and further its public purposes. RIHousing is often invited by its community partners to attend or gain recognition at community events, such as annual meetings or fundraisers, where our organizational presence is necessary or desirable.

At its meeting of December 11, 2014, the Board of Commissioners adopted the Handbook of Policies and Procedures to Ensure Accountability (the “Handbook”) pursuant to the Act. Section C of the Handbook sets forth RIHousing’s policy on charitable and civic donation. This Section provides that, consistent with the Act, all Charitable Donations and Contributions must be approved or ratified by the full Board of Commissioners at an open meeting.

An attachment setting forth events for which RIHousing has or will make a Charitable Donation or Contribution was included as part of the August 17, 2023 Board package. The attachment identified the recipient of the expenditure, the amount of the expenditure, the nature of the event, the reason

for supporting the event or recipient, each Commissioner or employee who will receive any benefit from the expenditure, and the general ledger account number where the expenditure will be recorded in RIHousing’s accounting system. None of these expenditures require any disclosure under the Rhode Island Code of Ethics.

RIHousing’s support of the work of the organization(s) listed on the attachment furthers the corporate purposes of encouraging and stimulating the 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). For example, the mission of 134 Collaborative is to connect and integrate social change agencies and their communities under one roof in DownCity Providence. The Mathewson Street Church building is a project that RIHousing was proud to partner with 134 Collaborative on. Their mission directly supports the work that RIHousing does.

Following the presentation, Chairman Pryor asked for a motion and a second for Approval of External Charitable Donations and Contributions.

A motion was duly made by Commissioner Barry and seconded by Commissioner Diossa.

There being no discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners. The Commissioners unanimously voted to approve the motion.

Ms. Myers then announced that the following resolution was unanimously adopted:

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

Whereas, the legislative findings set forth in Rhode Island Housing and Mortgage Finance Corporation’s (“RIHousing”) 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, RIHousing 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 organization(s) set forth in Attachment A presented at this meeting have asked RIHousing to provide financial support of their activities as described in Attachment A; and

Whereas, the organization(s) set forth in Attachment A plays an important role in supporting community revitalization and the development of affordable homes for low- and moderate-income families and individuals and policies that impact RIHousing’s mission; and

Whereas, RIHousing staff has reviewed the request for financial support and determined that it is consistent with RIHousing’s legislative purposes; and

Whereas, Attachment A sets forth the information required by the Quasi-Public Corporations Accountability and Transparency Act, Chapter 155 of Title 42 of the Rhode Island General Laws.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that the expenditure(s) set forth in Attachment A are consistent with and in furtherance of the mission and policy initiatives of RIHousing.

Resolved, the expenditure(s) set forth in Attachment A are hereby approved and ratified.

Resolved, that the Executive Director, Deputy Executive Director, and Chief Operating Officer, 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 Final 2024 Qualified Allocation Plan (QAP)

Chairman Pryor stated that Ms. Berman would present the request for the final 2024 Qualified Allocation Plan.

Ms. Berman said that at its July 11, 2023 meeting, RIHousing Board of Commissioners Credit Committee preliminarily approved a proposed draft and authorized publication of RIHousing’s intent to adopt the 2024 Qualified Allocation Plan (the “2024 QAP”), which governs the allocation of low-income housing tax credits (“LIHTC”). On July 12, 2023, 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 RIHousing’s website. The public comment period is anticipated to end on August 10, 2023.

A public hearing was held on July 25, 2023 via video conference with approximately 15 attendees. Written comments were received from three parties.

Staff proposes additional changes to the proposed draft of the 2024 QAP as summarized below to address public comments and to correct some clerical errors:

Section III(5) (page 26)	Modified the language to say “Individuals and families who are currently experiencing homelessness or who have experienced homelessness over the past 24 months.”
Section III(7) (page 26)	Changed “high end” of reasonable cost to “upper limit” of reasonable cost
Section III (Financing Points)(A) (page 34)	Added legal costs for zoning appeals as an extraordinary condition.

The final 2024 QAP is set forth at Attachment C. The 2024 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

Commenter 1

Commenter 1, the Housing Network of Rhode Island, provided written comments, which are summarized and addressed below:

Comment 1

Commenter 1 expressed concerns regarding the requirement that “Sponsors should ensure and be prepared to demonstrate that they are proactively marketing the units to households with tenant-based vouchers”. Specifically, Commenter 1 asked how a sponsor would “ensure and demonstrate” that they are proactively marketing units to voucher holders beyond notifying the PHA/RIHousing?

RIHousing staff will build this requirement into the property management procedures and documents such as the Affirmative Fair Housing Marketing Plan, Tenant Selection Plan and Management Plan. There will be several ways to demonstrate compliance and staff believes that the language as proposed is broad enough to allow for different approaches. Therefore, no change is recommended.

Comments 2&3

Commenter 1 suggested that the modification to the language in Section III regarding 9% credits and preservation transactions is redundant. Commenter 1 also noted that the language regarding priorities for LIHTC awards as they pertain to preservation transactions appears overly restrictive and does not leave room for flexibility.

The language was modified to eliminate any confusion regarding the ineligibility of proposals that are 100% constructed and do not produce any new units. Given the severe shortage of newly created affordable housing, and the small allocation received by the State, staff believes that the limitation on preservation awards is prudent and consistent with State objectives. Therefore, no change is recommended.

Comment 4

Commenter 1 questioned the following language change to priorities for LIHTC awards: “...who have experienced or are experiencing homelessness.” Commenter 1 suggested moving “currently experiencing” ahead of “have experienced” as order tends to suggest prioritization. Commenter 1 also provided the following example language: “who are currently experiencing homelessness or have experienced homelessness in the previous 24 months”.

Staff agrees with this recommendation and has modified the language accordingly.

Comment 5

In regard to the deletion of total development cost as a Threshold Criteria, Commenter 1 suggested that we should replace the term “high end” with wording that cannot be connoted as luxury.

Staff reviewed the section and has modified the language to say "...\$450,000 per unit represents the upper limit of reasonable cost."

Comment 6

Commenter 1 requested a relaxation of the threshold requirement regarding marketability given the housing crisis, including a suggestion allowing a lower level demonstration of need, rather than a third party market study, for 100% affordable developments.

Under the QAP and Request for Proposal processes, applicants are required to provide market comparables and other information to ensure that the proposed units can "achieve sustainable occupancy of 95% within 6 months of construction completion." While there may be a shortage of housing across the State, marketability is geographically specific. In addition, RIHousing does not want to cannibalize previously funded developments that may be near a proposed new development. Only mixed income proposals are required to provide a third party market study. Therefore, no change is recommended.

Comment 7

Commenter 1 questioned the inclusion of state historic credits under the leveraging section of the Scoring since state historic credits may trigger prevailing wages and this drives up overall costs.

Developers are encouraged to identify every possible source available to develop their capital stack and then weigh the pros and cons of each source. Therefore, no change is recommended.

Comments 8, 9, 13

Commenter 1 sought to expand the definition of "Extraordinary Conditions," which are costs deducted from the weighted average per unit ("WAU") calculation used for scoring purposes. Specifically, Commenter 1 suggested including (i) legal costs associated with zoning when communities are resistant to the proposed housing and (ii) road infrastructure costs for rural development.

Currently, environmental remediation, prevailing wages, demolition as part of a historic redevelopment, and the installation of on-site water and sewer in rural locations are considered extraordinary conditions.

Many proposed developments require planning and zoning approvals, and staff would consider those standard costs. However, staff recommends that costs associated with the appeal of a zoning denial by a local jurisdiction (to the State Housing Appeals Board, Superior Court, and/or the Supreme Court) be considered extraordinary.

Many proposed developments, both urban and suburban, also require new roadways, sidewalks and other infrastructure to comply with local zoning. Staff does not recommend a change to include such costs as extraordinary for rural locations.

Comment 10

Commenter 1 suggested changing "elderly population" to "older adults" in the General Points section of the scoring.

The section in question is specific to differentiating elderly from special needs and is considered consistent with industry practice. No change is recommended.

Comment 11

Commenter 1 had the following concerns about the scoring section for the provision of 30% units for extremely low-income (“ELI”) households:

- a. **The increased point allocation for developments including 30% AMI units is predicated on the State being able to use ERA2 funds to provide a project based operating subsidy for ELI units. When will information be available to developers regarding the ERA2 subsidy so that they can contemplate it as a source? Will developers actually need to apply for the subsidy or will all projects awarded LIHTC that propose 30% be guaranteed the resources?**

As of the drafting of the 2024 QAP, the expectation is that the ERA2 funding will be available when the Request for Proposals is issued; at which time program guidelines will be circulated. It is anticipated that applicants will need to apply for the ERA2 funding as it will not be automatically awarded.

- b. **With regards to the section beginning “a service plan and memorandum of understanding” – point of clarity: is this only required if the population is “special needs” and not homeless? Homelessness appears to be a designation outside of “special needs.” What does “appropriate services” mean as services differ by client need even within certain population designations. For example – people may be identified as being part of the IDD community but will need varying levels of services and that wouldn’t be known by the developer at the time of their application.**

The point category is broad and is applicable to 30% AMI households that may be comprised of any of the following “... (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...” A household could be special needs, or homeless, or both.

In regard to “appropriate services” and “which must be approved by RIHousing”, RIHousing will endeavor to provide guidelines in the application to assist developers and service providers with their plans. The overall intent is to ensure that developers will engage experienced service providers who are well-versed in the needs of the intended population(s) to be served.

No change from the proposed language is recommended.

Comment 12

Commenter 1 took exception to the proposed language modification in regard to overall readiness to proceed under the planning and zoning section of the scoring.

The purpose of the section is simply to convey that, without zoning approval, an application is not likely to be competitive. The words “adequately demonstrate” are a recognition that each site is unique and the approval process in each community is unique. Therefore, we think the work “adequate” provides additional context for the developer. No change from the proposed language is recommended.

Comment 13

Commenter 1 sought clarity on how the weighted average per unit calculation works across building types and questioned whether it skews toward larger units since future demographics suggest that smaller units are needed.

The proforma includes a scoring page that illustrates the math associated with the calculations.

As to unit size, the goal of the weighted average is to even out the development costs across developments building the same type of building, but which may have different unit counts and bedroom sizes. As noted last year, the scoring and WAU calculation appear to disincentivize larger units, and while demographic data suggests that families are getting smaller, developers have conveyed that they currently have waiting lists for three-bedroom units and larger. Therefore, no change is recommended.

Comment 14

Commenter 1 is concerned that graduation rates may not indicate quality of education. Commenter 1 also questioned how the metric is measured since certain smaller communities don't have high schools.

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-urban communities, and this is part of the balance between meeting the State's goal of ensuring affordable housing across all municipalities. In regard to those communities without high schools, applicants should utilize the graduation rates of the community that the municipality partners with for high school enrollment.

Commenter 2

Commenter 2, Pennrose, provided the following written comments:

Comment 1

Commenter 2 had 3 comments related to the revised point category for the provision of ELI units: (i) a request for clarification regarding how a Supportive Services Plan would meet QAP requirements; (ii) concern that ELI units without supportive services may create units for high-need populations without providing appropriate care; and (iii) concern that to achieve 20% of the units in a 60 unit building for 30% households, 12 project based vouchers would be required which would trigger prevailing wage or require more subsidies.

As to (i), as noted in Commenter 1, Comment 11(b), RIHousing will endeavor to provide guidelines in the application to assist developers and service providers with their plans. The

overall intent is to ensure that developers will engage experienced service providers who are well-versed in the needs of the intended population(s) to be served. No change recommended.

As to (ii), not all ELI households require supportive services. Some households simply have extremely low incomes because they are underemployed or in a low wage job. RIHousing is attempting to make a distinction between (i) households that require supportive services to ensure that they remain safe and can maintain tenancy and (ii) households that do not require that type of support. No change recommended.

As to (iii), developers are encouraged to identify other types of operating support, such as the HPF-ELI Program which will bridge the gap between a residents' ability to pay 30% of their gross household income toward rent and the established 50% Low-Income Housing Tax Credit (LIHTC) rents for the applicable unit size. No change recommended.

Comment 2

Commenter 2 sought the following clarifications within the Transit and Connectivity point section: If a development proposes to build a new bus shelter and includes this scope in the project budget, would it be eligible for transit points? In addition, would an exterior, secure bike shelter also qualify for bike storage points?

If an application includes a Memorandum of Understanding or Letter of Intent between the developer and RIDOT regarding the installation of a new bus stop and it is less than ½ mile from the proposed site, then, in concept, it would appear to be eligible for transit points. An onsite secure exterior bike shelter would likely qualify for points under this section of the QAP.

Comment 3

Commenter 2 sought clarification as to whether each phase of a multi-phase project must have a commercial component to receive points under this category or whether a commercial space in one phase that serves the community as a whole is sufficient for the second phase to receive points under this category.

Each phase is funded separately and subject to the scoring criteria in place at the time of application. Therefore, having a commercial component in Phase 1 does not satisfy the requirement for a commercial component in Phase 2. No change recommended.

Comment 4

Commenter 2 had four comments in regard to the points awarded for Efficiency: (i) due to challenges related to the RNC Tier II target, they suggested alternatives that can be employed; (ii) Commenter 2 asked, more specifically, whether the QAP can incorporate more comprehensive standards, such as FitWell or Enterprise Green Communities, to better fit developer and agency goals for healthier, more sustainable living environments (vs. focusing on energy use alone); (iii) Commenter 2 sought clarification regarding available renewable energy opportunities and suggested that there should be guidance in the QAP pertaining to how to get in the queue to source

renewable energy from the grid; and (iv) Commenter 2 sought confirmation that “other renewable energy systems” includes community net metering or similar.

As to (i), the RNC Tier II benchmark is established by RI Energy to increase building performance by stretching the existing energy code requirements. RI Energy and their vendor, ClearResult, work with developers to fully evaluate construction projects under the RNC program at the 50% plan submission stage. We encourage our developments to utilize the RNC program because it ensures that they meet a higher energy efficiency standard and that they are eligible for quantifiable building incentives and rebates. No change recommended.

As to (ii), RIHousing has engaged a consultant to undertake a wholesale revision to the Design and Construction Guidelines. The revised guidelines should be completed by December 2023. No change recommended.

As to (iii), in regard to renewable energy source availability, RIHousing staff will work with the Office of Energy Resources to identify a contact to assist developers as they navigate the process, including applications for community net metering.

As to (iv), community net metering is considered an “other renewable energy system” in the QAP. No change recommended.

Commenter 3

Commenter 3, Lincoln Avenue Capital, provided the following written comments:

Comment 1

While Commenter 3 supports the modification to the TDC per unit cap, they requested consideration of TDC cap exclusions such as the exclusion of land costs, acquisition basis and additional consultant and legal costs.

The QAP currently outlines extraordinary conditions and does make exceptions for certain costs. Given a review of recent closed transactions and projects that were recently approved for financing, the new language removing a firm TDC cap and substituting “reasonable costs” seeks to balance the current dynamic economic environment and cost containment concerns. Furthermore, acquisition costs can vary dramatically; so, while excluding high acquisition costs for one project may be advantageous, a general exclusion such as this may disadvantage a developer who was able to reduce their acquisition costs. We encourage developers to utilize the Site Acquisition Program which provides grants for land and building acquisition. As for consultant and legal costs, RIHousing firmly believes that it is within the developer’s control to minimize soft costs, including consultant and legal costs. No change is recommended.

Comment 2

Commenter 3 proposed changes regarding Developer Fee Limitations. More specifically, they recommended that RIHousing (i) consider changing the fee for 9%

LIHTC projects to a flat 15% of acquisition costs plus other eligible development costs and (ii) change the developer fee structure for 4% LIHTC/bond deals to a flat 18-20% of acquisition costs plus other eligible development costs.

Rhode Island receives the small state minimum in 9% allocated LIHTC, and as a small state, we try to balance funding the maximum number of units and/or projects possible while still ensuring that developers are paid for their efforts and risk. For new production, the developer fee is based on units regardless of the overall TDC. This is also part of overall cost containment considerations. For tax exempt bond deals, the developer's fee as outlined in the Developer's Handbook has been updated and will be published in the 2024 Handbook to reflect developer fee policy for 4% new production and 4% preservation deals. In each case, there is a maximum base fee and an opportunity to increase the fee to 15% as long as the additional fee above the base fee is deferred and the additional equity generated is used to cover project costs. RIHousing current guidelines are consistent with NCSHA Recommended Best Practices. No change is recommended.

Comment 3

Commenter 3 had concerns regarding the minimum rehabilitation cost per unit and recommended that RIHousing raise its minimum rehabilitation cost per unit from \$15,000 to \$25,000.

RIHousing requires a Capital Needs Assessment (CNA) for all preservation and/or rehabilitation transactions. The CNA provides a third-party review of property conditions and outlines property needs over a 15 or 20 year schedule. RIHousing believes that the CNA is the best guide for determining rehabilitation budgets. Furthermore, while many projects have budgets far in excess of \$15,000 per unit, not every project requires even a moderate upgrade. Mandating a higher per unit minimum rehabilitation cost might unnecessarily over-subsidize a project. No change is recommended.

Comment 4

Commenter 3 suggested additional flexibility regarding the One-to-One Replacement Policy and provided the following example: the state may find it desirable to repurpose existing studio apartments to 1-bedroom units or combine smaller complexes to allow for larger family units. Commenter 3 also stated that HUD may want to de-densify various public housing sites and suggested that RIHousing's replacement policy should allow for some offsite replacement for various cases or to promote mixed income housing (with agency approval).

The current one-for-one replacement policy was added to the QAP over 20 years ago when RIHousing financed its first HOPE VI transactions to ensure no net loss of units. The current policy does allow for offsite replacement in some situations. It is also designed to accommodate small changes in unit size based on demographics and market conditions. No change is recommended.

Public Hearing Comments:

1. Participants were supportive of the elimination of the total development cost as a Threshold Criterion.
2. Two participants discussed the expansion of the definition of “Extraordinary Conditions,” which are discussed in Comment 8 above.
3. One participant sought clarity regarding proposals which have planning/zoning meetings scheduled soon after applications are due (i.e., zoning approvals are in process but not in place at time of application). In response, staff reiterated that it is incumbent on the developer to meet application deadlines and underscored the importance of meeting the Readiness to Proceed criterion.

Finally, Ms. Berman said that staff recommends that the Board of Commissioners approve the resolution adopting the 2024 QAP and recommending the 2024 QAP for final approval and endorsement by the Governor.

After the presentation, Chairman Pryor asked for a motion and a second for Approval of Final 2024 Qualified Allocation Plan (QAP).

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

Chairman Pryor thanked Ms. Berman and Commissioner Orth for a thoughtful and inclusive process in reviewing and addressing pertinent concerns in the 2024 QAP.

Commissioner Orth expressed his appreciation for Chairman Pryor and his staff’s constructive input in updating the plan. He also thanked the Development community and partners for their flexibility during the process. Commissioner Orth mentioned that the 2024 plan increased overall points awarded to incentivize production of 30% AMI units. Additionally, a lot of conversation was generated around total development cost (TDC) and even though the criteria remains as part of the overall scoring matrix, it is no longer a threshold directive. The Commissioner applauded that strategy.

Ms. Ventura agreed that the process was all inclusive and everyone worked together to put forth a comprehensive and manageable Plan. She mentioned that the Credit Committee was instrumental in making sure that the Plan was transparent and incorporated a balance for Fair Housing mandates.

Chairman Pryor also thanked Amy Boyle and Hannah Moore from the Office of Housing for their insights.

There being no further 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 announced that the following resolution was unanimously adopted:

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

WHEREAS, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has been designated by the Governor as the Tax Credit Allocating Agency for the State of Rhode Island;

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

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

WHEREAS, housing needs for the State of Rhode Island have been established pursuant to the Rhode Island Consolidated Plan: 2020-2024 and are incorporated into the 2024 Qualified Allocation Plan (the “2024 QAP”).

NOW, THEREFORE, BE IT:

RESOLVED, that RIHousing adopt the 2024 QAP for the State of Rhode Island in substantially the form attached hereto at Attachment C, and hereby recommends the 2024 Plan be approved and endorsed by the Governor of the State of Rhode Island; and

RESOLVED, that RIHousing develop and distribute a Request for Proposals soliciting applications for 2024 LIHTC pursuant to the 2024 QAP; and

RESOLVED, that the Executive Director, Deputy Executive Director, and Director of Real Estate Development, each acting singly, be, and hereby are, authorized and empowered and directed to take such action as she or he, in her or his sole discretion, shall deem necessary or desirable to effectuate the foregoing resolutions.

Approval of Thresholds Program Awards

Chairman Pryor stated that Elizabeth Bioteau, Director Strategic Initiatives & Partnerships would present the request.

Ms. Bioteau said that the State of Rhode Island established the Thresholds Program in 1990 with the goal of increasing the supply of affordable housing for people with serious mental illness and/or developmental disabilities. Since 1994, RIHousing has administered the Thresholds Program under agreement with the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (“BHDDH”).

The Thresholds Program provides a source of capital funding to be paired with supportive services that enable consumers with developmental disabilities and/or persistent mental illness to live independently in integrated settings. Thresholds Program use restrictions are binding for 30 years.

The State of Rhode Island’s FY 2023 budget authorized \$100,000 for distribution under the Thresholds Program. BHDDH allocated \$5,000 to other Thresholds expenses; the remaining \$95,000 was transferred to RIHousing for distribution under the Thresholds Program and RIHousing’s administration expenses. In addition, a balance of funds remains from previous funding rounds, bringing the total amount available to \$551,098.22. In response to a Request for Proposals for Thresholds Program funding, RIHousing received two (2) applications seeking a combined total of \$854,723. The Thresholds Program Advisory Committee (the “Committee”) met on January 6, 2023 to review the applications. The Committee recommends that the proposals set forth in Attachment A be awarded Thresholds Program funds. The Committee has determined that the recommended awards totaling \$430,000 will enable the Thresholds Program to meet its goal of supplying housing linked to supportive services from a developmental disability agency, and that the size of the awards are justified and sufficient. The Committee has briefed the Director of BHDDH with respect to these recommendations and has received his formal approval.

With the approval of the proposals, approximately 78% of available Thresholds Program funds will be committed, creating eight (8) new units.

The Committee recommends the award of Thresholds Program funds in the amount of \$430,000.

After the presentation, Chairman Pryor asked for a motion and a second for Approval of Thresholds Program Awards.

A motion was duly made by Commissioner McAllister and seconded by Commissioner Diossa.

There being no 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 announced that the following resolution was unanimously adopted:

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

WHEREAS, The Rhode Island Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (“BHDDH”) has entered into an agreement with the Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) pursuant to which BHDDH has delegated to RIHousing the administration of Thresholds Program funds; and

WHEREAS, RIHousing has solicited applications for FY 2023 Thresholds Program funds pursuant to an open competitive process; and

WHEREAS, The Thresholds Program Advisory Committee (“Advisory Committee”) has reviewed each of the eligible applications submitted in response to the Request for Proposals issued by RIHousing; and

WHEREAS, The Advisory Committee recommends that Thresholds Program funds be committed for the projects listed in Attachment A; and

WHEREAS, The Advisory Committee has briefed the Director of BHDDH with respect to its recommendations and received his approval;

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That RIHousing be, and hereby is, authorized to commit \$430,000 in Thresholds Program funds to the organization and in the amounts set forth in Attachment A; and

RESOLVED: That the Executive Director, the Deputy Director, and the Director of Leased Housing and Rental Services, each acting singly, be, and hereby are, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolutions, including without limitation the authority to execute any and all agreements or documents as he or she may determine are in the best interests of RIHousing and deem necessary to carry out the foregoing resolutions.

Attachment A

Recommendations of the Thresholds Program Advisory Committee

Applicant, Project Location	Activity	Thresholds Program Recommendation	Total Development Cost
Community Living of Rhode Island Incorporated 39 Sweet Meadow Drive Cranston, RI 02920	This new project offers four (4) bedrooms located in a shared single-family home and will provide permanent supportive housing for Thresholds Program-eligible tenants.	\$237,000	\$471,062
Community Living of Rhode Island Incorporated 334 Roger Williams Avenue East Providence, RI 02916	This new project consists of four (4) bedrooms within a shared single-family home and will provide permanent supportive housing for Thresholds Program-eligible tenants.	\$193,000	\$383,661
TOTAL		\$430,000	\$854,723

Approval of Engagement of HVAC Building Automation Services Contractor (inControl, Inc.)

Chairman Pryor invited Guy Pirolli, Manager of facilities Operations, to give the presentation.

Ms. Pirolli began by saying that the request was for approval to engage a building automation company to update RIHousing’s current HVAC Building Management System (“BMS”) software and respective

hardware, for the Slade/Garr and Earle building heating and air conditioning systems. The selected vendor is inControl, Inc.

The Slade/Garr and Earle Buildings consist of approximately 72,200 square feet. The current Schneider/Andover Continuum BMS system has controlled the HVAC system since the opening of the building in 1995; and was subsequently expanded to include the Earle Building. Over the past 30 years, this system has been updated to address both physical and computer needs, and the main “controller panels” in each building have also received updates to accommodate changing programming enhancements. inControl, Inc., has been servicing the BMS system since the initial installation and upgrades to the Earle Building.

The existing Schneider/Andover Continuum program will be phased out on December 31, 2024, at which time RIHousing’s current computer software and some of the control panels and valves throughout the complex will need to be replaced. inControl provided a full assessment of existing conditions and what would need to be replaced or updated, as well as a proposal to update the current system to the new Schneider “EcoStructure” BMS, which would include a completely new computer program, update associated wiring, and where needed upgrade physical components throughout both buildings.

A recommendation was made to management to sole source this work to inControl, Inc. as opposed to completing an RFP for the services. inControl’s computer operations system and much of the building hardware equipment is proprietary to inControl, and any change to an alternative system may require a complete overhaul, resulting in additional expense for new equipment, controllers, etc. As part of our research for this recommendation, we learned that other Rhode Island government institutions have had their BMS remain with the same vendors for many years for the reasons mentioned above.

Members of the Facilities and Design and Construction departments reviewed the proposal and pricing. Following the review, it was determined that inControl, Inc. has the expertise and experience to undertake the assignment. The proposed cost of their engagement is \$205,550.

Finally, Mr. Pirolli said that staff recommends the approval authorizing the engagement of inControl, Inc. for a HVAC building automation upgrade and annual services.

Following the presentation, Chairman Pryor asked for a motion and a second for Approval of Engagement of Consultant for Upgrade of Building HVAC Building Management System (BMS).

A motion was duly made by Commissioner Diossa and seconded by Commissioner McAllister.

A brief dialog followed. Commissioner Orth asked if Mr. Pirolli anticipates that the upgrade will include energy efficient solutions. Mr. Pirolli responded that new methods in updating systems takes into consideration energy efficiency. Energy efficiency guidelines are built into the systems.

Chairman Pryor wondered if staff could have issued an RFP for the services or if the matter was time sensitive.

Mr. Pirolli explained that the present equipment is compatible with the current building systems. To bring in another vendor with new equipment would not be feasible as the present system would not support the changes. It would be much more costly and onerous to solicit for an entirely new system.

The University of Rhode Island (URI) utilizes the same system as the Corporation and has initiated the same update. This strategy minimizes costs and is much more efficient.

Chairman Pryor asked if an RFP could be crafted to address the present situation. Mr. Pirolli reiterated that it would be difficult to locate other vendors that could supply the current system; the equipment is proprietary and would not integrate with RIHousing's system.

There being no other questions, Chairman Pryor conducted a voice vote of the Commissioners. The Commissioners unanimously voted to approve the motion.

Chairman Pryor then announced that the following resolution was unanimously adopted:

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

WHEREAS: Rhode Island Housing and Mortgage Finance Corporation's ("RIHousing's") enabling act provides it with all the power and authority to make and execute contracts necessary to exercise the powers and functions provided to it under the act (R.I. Gen. Laws §42-55-5(6)); and

WHEREAS: Staff of RIHousing has identified a need to engage a building automation services company to update our current HVAC Building Management System ("BMS") software and respective hardware, for the Slade/Garr and Earle building heating and air conditioning systems; and

WHEREAS: On May 4, 2023, inControl Inc. submitted a proposal to upgrade RIHousing's BMS in the Slade/Garr and Earle buildings; and

WHEREAS: On June 12, 2023 RIHousing's Executive Director approved the Sole Source Procurement request to upgrade RIHousing's BMS in the Slade/Garr and Earle buildings; and

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: That RIHousing be, and hereby is authorized, to sole source and engage inControl, Inc. to install updated computer software, wiring and required physical equipment for the amount of \$205,500;

RESOLVED: That RIHousing be, and hereby is authorized, to enter a five (5) year agreement, with two five (5) year extensions, at RIHousing's option, with inControl, Inc. for building automation services "as needed" at a cost of \$140 per hour (\$210 per hour for any overtime assistance).

RESOLVED: That the Executive Director and Deputy Executive Director, each acting singly, be, and hereby are, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolutions, including without limitation the authority to negotiate terms of the engagement as he or she may determine to be in

the best interests of RIHousing, and to execute any and all agreements or documents as he or she deems necessary to carry out the foregoing.

Approval of Fiscal Year (FY) 2024 Operating Budget

Chairman Pryor announced that Ms. Ventura would give the presentation.

Ms. Ventura explained that the request was for approval of the proposed FY 2024 Operating Budget including projected revenue and expenses for the upcoming year.

The Executive Director said that she had a few comments and then Kara Lachapelle, Chief Financial Officer, would walk through the highlights of the budget for the Commissioners.

Ms. Ventura remarked that the attachment that was included as part of the August 17, 2023, Board of Commissioners package contained a summary memorandum, the programmatic and operating budget forecasts, and various charts and graphs.

The Executive Director then noted that the budget focuses on the continued administration of Federal ARPA funded programs, the increase in Multifamily Development activity and steady Homeownership loan production due to State DPA grant. The budget also reflects an increase in net revenue from prior year to \$9.4 million, which translates to a solid financial foundation. Additionally, the FY 2024 budget also supports several programs, especially for the most vulnerable population.

Ms. Ventura then asked Ms. Lachapelle to proceed with the major highlights of the budget.

Ms. Lachapelle mentioned that the report provides details on various programs along with corresponding charts.

Continuing, Ms. Lachapelle explained that the operating budget forecasts current and expected economic and market conditions. Despite some market challenges, the budget shows the Corporation's continued financial strength and dedication to housing with net revenue over expenditures (Net Income) of \$9.4 million. That is an increase from prior year's budget of \$5.4 million.

RIHousing expects continued execution of homeownership programs despite the high interest rate environment. That is strengthened by the State Downpayment Assistance Grant funded through the American Rescue Plan Act (ARPA). The Corporation will continue to use the most effective financing strategies such as tax-exempt, taxable and variable rate bonding and selling in the TBA market.

For multi-family rental development, RIHousing anticipates an increase in the number of new units produced. This is due to new housing development programs created by the State from ARPA funds as well as other federal programs that the Corporation administers.

Operating expenses reflect decreases relating to the close out of administration of certain federal grant programs. The budget also reflects various capital expenses including HVAC system design and IT equipment replacements. Personnel expenses also include a merit increase for staff.

Ms. Lachapelle then referred the Board to page five (5) of the budget package and briefly mentioned that despite challenges, the budget depicts continued growth. She noted that the growth is due to the influx of ARPA funds and homeowners' assistance funds. The net interest income column also reflects an increase in tax and tax-exempt bond financing. 68% relates to multifamily development and 32% to homeownership loans.

Net Interest Income for FY24 (the spread between mortgage rates and our borrowing rates) reflects an increase from the FY23 budget. That increase is due to continued financing of Homeownership loans through the issuance of bonds. Single family production is estimated at \$430 million with 80% funded through bond financing and 20% through the TBA market.

Next, Ms. Lachapelle said that fee income, the largest component of revenue, reflects a \$1.2 million increase relating to an increase in Multifamily Development activity and an increase in Loan Servicing fees.

Ms. Lachapelle also noted that the budget displays an increase of \$2 million for loan losses reserves. That is primarily to offset the uninsured portion of new Multifamily Development loans. Additionally, the increase will be reviewed by the Corporation's external auditors to ensure that the Corporation has adequate reserves to cover first mortgages.

The Chief Financial Officer then touched on the program budget; outlining the various programs RIHousing administers and funds. Ms. Lachapelle said that RIHousing continues to prioritize and fund critical housing programs that include rental assistance, community development programs and downpayment assistance.

The focus for the upcoming year will be the administration of Federal grant programs including the Homeownership Down Payment Assistance Grant, and various programs related to the Development of Affordable Housing. Operating expenses will be lower in FY24 due to the expected close out of the Emergency Rental Assistance Program and Homeownership Assistance Fund Program. The budget reflects various staffing and operating expense changes based on the administration of these programs. Moreover, the operating budget reflects a merit increase for staff, health, and dental insurance as well as increases in amortization relating to mortgage servicing rights.

In closing, Ms. Lachapelle said that the increase in the Corporation's bottom line shows continued strength in operations.

Following the presentation, Chairman Pryor thanked Ms. Ventura and Ms. Lachapelle and asked for a motion and a second for Approval of Fiscal Year (FY) 2024 Operating Budget.

A motion was duly made by Commissioner Diossa and seconded by Commissioner McAllister.

Commissioner McAllister asked Ms. Ventura if staffing levels are sufficient to meet the expanded needs of the Corporation. Ms. Ventura acknowledged that staff levels continue to fluctuate as needed, but she is confident that the Corporation has a full complement of experienced staff.

Chairman Pryor commended Ms. Ventura and Executive Leadership on producing a balanced and constructive budget.

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

Ms. Myers then announced that the following resolution was unanimously adopted.

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

Whereas, Pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, Chapter 55 of Title 42 of the Rhode Island General Laws, Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) has the authority to adopt an annual budget and disburse funds; and

Whereas, the Management Committee of the Board of Commissioners (the “Committee”) provided the opportunity for the staff to present and discuss the proposed FY 2024 operating budget; and

Whereas, staff recommended that the proposed FY 2024 operating budget be presented to the Board of Commissioners for approval and adoption.

NOW, THEREFORE, IT IS HEREBY:

Resolved, that the proposed FY 2024 Operating Budget of RIHousing as presented to the Committee and as set forth at Attachment A is hereby approved; and

Resolved, that the Executive Director, the Deputy Executive Director, and the Chief Financial Officer, each acting singly, be and hereby are authorized, empowered, and directed to take any and all actions they shall deem necessary or advisable to carry out the foregoing resolution.

There being no further business to discuss, Chairman Pryor asked for a motion to adjourn the Board of Commissioners meeting. A motion was duly made by Commissioner McAllister and seconded by Commissioner Barry to adjourn the meeting.

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

Ms. Myers then announced that the motion to adjourn was unanimously approved. The meeting was adjourned at 10:29 a.m.

Chairman Pryor then thanked everyone for participating in the Board meeting.

Respectfully submitted,

Carol Ventura
Secretary and Executive Director