

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
August 9, 2023

A Special meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, August 9, 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 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 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 in attendance.

Ms. Ventura conducted a roll call of Commissioners participating in the meeting. Commissioners participating were: Committee Chairman Orth; and Sara Cabral, Designee for Elizabeth Dwyer, Director of the Department of Business Regulation. Maria Barry was absent.

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; Christine Hunsinger, Chief Strategy and Innovation Officer; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Chairman Stefan Pryor, Secretary of Housing was also present. Additionally, members of the public were present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on July 11, 2023

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on July 11, 2023. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

There being no discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on July 11, 2023.

The Commissioners unanimously voted to approve the minutes.

Ms. Myers then stated that the following was adopted:

VOTED: That the minutes of the Credit Committee Meeting held on July 11 2023, are hereby approved.

2. Approval of Final 2024 Qualified Allocation Plan (QAP)

Committee Chairman Orth announced that Ms. Berman, Director of Real Estate Development would provide information on the 2024 Qualified Allocation Plan.

Ms. Berman began by noting that staff updated the draft QAP to address comments discussed at the July Credit Committee meeting and incorporated comments received from the public comment period. She mentioned that she would not review all the comments but would highlight the pertinent ones. Additionally, the public comment period officially ends on August 10, but RIHousing does not anticipate any substantial changes to the Plan.

Continuing, Ms. Berman stated that at the July 11, 2023 meeting, RIHousing Credit Committee members 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. As of August 1, written comments have been received from two 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 was set forth in an attachment that was included as part of the August 17, 2023 Board package. The 2024 QAP will become effective upon (i) the end of the public comment period and final approval by the Board of Commissioners; (ii) approval by the Governor; and (iii) posting to the RIHousing website as a guidance document.

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, RI Housing 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 will 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.

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 adopting the 2024 QAP and recommending the 2024 QAP for final approval and endorsement by the Governor.

A blacklined and clean copy of the Plan were included as part of the August 9, 2023 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 2024 Qualified Allocation Plan (QAP).

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

A brief discussion followed the presentation.

Chairman Pryor referenced comment number five (5) in regard to the deletion of total development cost as a threshold criterion noting that the commentor's suggestion was to modify the language to say, "high end". Staff reviewed the submission and the language was amended to state that \$450,000 per unit represents the upper limit of reasonable cost. Chairman Pryor wanted to know if the \$450,000 amount was the total purchase price or production cost. Ms. Berman confirmed that it is the total development cost per unit.

Chairman Pryor then asked what methodology staff utilized to determine that amount. Ms. Berman explained that staff reviewed construction costs from the previous 12 to 18 months, did an industry wide RSMean comparison, reviewed building types including mills, four story buildings with and without elevators and looked at the average increases in material, labor and professional services. Staff looked at all those factors and determined an average increase level of costs.

Chairman Pryor speculated that depending on specific features required for some developments, the per unit cost could be higher. He mentioned that in some circumstances, the units need to be equipped with special items such as medical equipment to address the needs for the handicap and disabled population. He wanted to confirm that the language did not prohibit allocations of funds if the expense was warranted and/or justified and that staff will take those elements into consideration when reviewing the applications.

Ms. Berman verified that staff does review the reasonable costs and where justified, the exception is granted. Exceptions do include unforeseen environmental issues, and other matters.

Committee Chairman Orth also noted that there's a section in the QAP that outlines reasonable costs exceptions. He acknowledged staff's efforts in clarifying the language, considering changes proposed by the Department of Housing and incorporating feedback received from the Committee.

Ms. Berman pointed out that the QAP does address that issue. There is a section that outlines extraordinary conditions. For anything above the \$450,000 per unit cap if it falls within those conditions, it will satisfy the exception for higher costs.

Mr. Comer concurred that any application over the upper limit would need to fall under the exception for extraordinary conditions.

Ms. Berman further explained that reasonable costs is a broad term. There is some flexibility in the QAP Plan. Ms. Berman felt it's beneficial to leave the term as stated. Staff reviews all applications and utilizes best judgement to ensure that any exception is justified.

Committee Chairman Orth asked Ms. Beeman if she felt that the QAP provides enough clarity on that topic for the developers.

Ms. Berman said that cost containment is an important national issue and believes the language is satisfactory. RIHousing strives to be consistent with the National Council of State Housing Agencies' (NCSHA) best practices.

Committee Chairman Orth mentioned that the comments were well considered and that staff did an excellent job in responding to the points addressed. He especially applauded the clarification defined for marketing and what constitutes marketing efforts to specific populations. He also commended the requirement for a Service Plan to be in place for 30% AMI developments.

The Committee Chairman did ask for clarification regarding the 30% AMI units. He wanted to know if they are simply income restricted or restricted per income and rent.

Ms. Berman responded that the 30% AMI units are based on income. If the unit does not have a project based operating assistance and a tenant does not have a voucher it must use the 30% AMI designation. If the development has project based operating assistance, it must be consistent with operating assistance guidelines. In the case of HPF-ELI financing it must be 50% AMI. Additionally, the applicant must identify the operating subsidy for the units or use the 30% AMI income restricted criteria.

Chairman Pryor addressed comment number 14 pertaining to graduation rates and the award of an additional point if the development is located in a high performing school district. Chairman Pryor wanted to know how staff measured that performance. He felt that measuring school quality was discriminatory for lower income geographic regions. He wanted to know the methodology regarding that score.

Ms. Berman emphasized that the QAP has two (2) goals. One is to ensure that there's adequate housing across the state and the second is actually a tool for revitalization purposes. There is some tension in the QAP between developers that are focused on urban construction and those that deal with suburban and rural developments. Throughout the QAP, staff endeavors to balance those tensions. The metrics used for the graduation rate is posted in the Kids Count report and a link is provided in the application guidelines.

Chairman Pryor mentioned that a community's lower graduation rate signifies that there's a greater need for investment in that community. He wanted to know if that is what Ms. Berman meant.

Ms. Berman said that it's more of areas of opportunity, where lower-income students can live and attend higher performing schools.

Chairman Pryor wondered if that criteria would hurt a community that is seeking affordable housing but does not have a high graduation rate.

Ms. Berman explained that it's only one (1) point that is allocated for that purpose. It's part of the balance for a community that might receive points for addressing blighted and foreclosed properties where it's not an area of opportunity. She did point out that there are other scoring metrics in the QAP that favor urban communities over non-urban communities and is part of the balance between meeting the State's goal of ensuring affordable housing across all municipalities.

Chairman Pryor remarked that he believes that an application should not be judged and awarded points based on the communities' graduation scoring rates. He believed that methodology hurts those communities that are looking to expand affordable housing opportunities.

Ms. Berman responded that it's a balance for communities. RIHousing strives to promote areas of opportunity to address affordable housing issues.

Mr. Comer further explained that there are other mitigating factors and resources that are part of the process. Staff looks at the whole picture considering all factors when scoring applications. For instance, Providence does not have the best school system, but it does have infrastructure, etc. It's a

way of looking at the entire picture to ensure that young Rhode Islanders have access to communities with better school systems for opportunities to ensure successful futures.

Chairman Pryor mentioned that schools are struggling. Housing is a major factor in addressing that issue. He was concerned that the perception is presented where if schools are struggling then a developer would not want to invest in that community. He believes that RIHousing should not hold it against a community if they have a struggling school system. Chairman Pryor wanted the record to reflect that he was not insisting on the elimination of the awarding of points for a high performing community, but that staff rethink the matter.

Corinne Myers, General Myers acknowledged the Chairman's sentiment. She mentioned that it's an excellent point and one that staff has worked very hard to address. However, she did stress that it's a balance. When you consider the whole history of litigation regarding QAPs about allocation of credits in urban centers that need reinvestment and areas that are identified by jurisdictions as areas of opportunities, there's a lot of contention and important and competing factors. RIHousing's QAP endeavors to strike a careful balance by ensuring that RIHousing gives credit where appropriate to communities that need investment and to creating new opportunities for residents to move to school districts where children have expanded educational opportunities, as well as expanding opportunities in low income communities. The Corporation has tried extremely hard to balance its obligation under the Fair Housing Act to not disproportionately focus resources in one type of community as opposed to others to ensure that RIHousing is speaking to the whole range of potential customers.

Chairman Pryor then wanted to know if RIHousing is vulnerable under the Fair Housing mandate by exhibiting bias to low-income communities. Ms. Myers appreciated the Chairman's thought but called to mind the recent Supreme Court coming out of Texas where the housing allocation agency had been sued for promoting segregation by disproportionately distributing credits in urban communities. The Supreme Court specified that allocating agencies must strike a balance and promote community reinvestment in areas that require it and make investments in areas that attract people to areas of opportunity so that they are no longer closed out.

Chairman Pryor speculated if there are other ways to balance the scoring without incorporating the school factor. He acknowledged that the QAP requires a balance, but he felt that a community should not be penalized if they do not have a high performing school graduation rate.

Commissioner Designee Cabral remarked that it's not a negative if the applicant is not in a high performing school district, but that the applicant would not receive the extra point. Commissioner Designee Cabral underscored that the QAP does not remove a point if the community does not have a high performing school system.

Chairman Pryor understood the sentiment, but wanted the record to reflect that he had strong objections to that criterion. He invited the Committee and staff to reflect on his suggestion.

Ms. Ventura stated that the Chairman raised a good point and staff will review how the scoring impacts communities that have challenges.

Committee Chairman Orth said that overall, it's one point in a complex scoring system. The QAP takes into consideration lower income areas, areas of opportunity, access to employment opportunities other community amenities and infrastructure. The Committee Chairman did say that if someone was looking to buy in a community he believes, they would prefer one with a better school system. However, there are a lot of other factors to take into consideration.

Ms. Ventura mentioned that the only thing that RIHousing can control is where the investments are made. The role of the Housing Agency is to make housing investments. The role of the State and community is to make investments in the educational system.

Chairman Pryor said that the urban graduation rate across the country is around 50% which is much too low. In choosing to use graduation rates, that is a meritorious measure. Unfortunately, you are not going to find many urban school systems that excel in graduation rates. He requested the staff think about those measures.

Committee Chairman Orth agreed saying that the recommendation is worth considering and furthers another discussion.

No further discussion was presented.

Ms. Myers then conducted a voice vote of the Commissioners for the approval of the Final 2024 Qualified Allocation Plan (QAP) as discussed at the meeting.

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for the Approval of the Final 2024 Qualified Allocation Plan (QAP) was unanimously approved.

Committee Chairman Orth then announced that he respectfully requested that Kara Lachapelle, Chief Financial Officer provide a brief presentation regarding the Corporation's equity and assets rating comparison prior to the August 17, 2023 Board meeting.

Ms. Myers, General Counsel reminded the Committee that a motion was required to add the discussion to the agenda.

A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth to add a review of the Standard & Poor's rating agencies comparisons to the agenda for discussion purposes only.

The motion was approved by unanimous vote.

3. Discussion:
 - a. Standard & Poor Rating Comparison

Kara Lachapelle, Chief Financial Officer commenced by circulating a report showcasing the breakdown and five (5) year comparison of equity, assets, loans and REO performance.

Ms. Lachapelle mentioned that the rating agencies review the Corporations' assets to guarantee that RIHousing has adequate reserves to ensure continued viability.

Ms. Lachapelle announced that the equity to assets comparison shows that in June 2023, RIHousing's rating was 14.12% and for June 2024 the percentage is estimated to be 13.26. The five (5) year average is 14.79%. Standard and Poor's recommended average is 15%. Every year the rating agency completes an analysis of the Corporation's assets. Even though RIHousing is slightly below the recommended average, the Corporation's strong standing and its strategy of financing loans that are guaranteed, display that the rating agency is not concerned with that issue.

Commissioner Orth understood that as RIHousing has a good percentage of loans that are FHA insured, it mitigates potential risks. Ms. Lachapelle confirmed that fact saying that by financing FHA loans and securitizing with GNMA guarantees the Corporation's ratings. For the multifamily loans it's the risk share insurance that the rating agencies value highly. At least 50% of the Corporation's portfolio is insured.

Continuing, Ms. Lachapelle said that there's very little adjustment to the net equity to assets category. It's slightly below the recommended average with the five (5) year total average of 14.79%. The rating agencies calculate the net to assets ratio but it is not part of the scoring criteria.

Committee Chairman Orth acknowledged RIHousing's rating is higher than New York and higher than other housing agencies, but lower than others. Ms. Lachapelle confirmed that fact but mentioned that it's only one comparison. RIHousing reinvests its funds in programs and is much more mission driven than other agencies. That reflects well for RIHousing when the rating agencies process their analysis.

Commissioner Orth asked if there will be an impact on the rating score once the Cooperation transitions from the TBA program and starts utilizing the bond financing.

Ms. Lachapelle said that the rating agencies understand that the Corporation strives to balance the bond and the TBA market where appropriate to maximize resources. The rating agencies are very much involved with the Corporation's bond issuances and monitor RIHousing's finances throughout the year. They appreciate that it's a balance and RIHousing does a good job monitoring the market to maximize opportunities.

Commissioner Designee Cabral asked if the rating average of all the other housing agencies is always that much higher. She also wanted to know if the number was the nationwide average.

Ms. Lachapelle explained that several states have sustainably more money than Rhode Island to expend on affordable housing. Also, the reported number is nationwide, however, not all 50 states are reported. S&P's report is based on the comparison of approximately 28 or 29 states.

Ms. Ventura further elaborated by noting that the roles of the HFA differ from state to state. Most of RIHousing's resources are focused on supporting the most vulnerable Rhode Islanders.

Commissioner Designee Cabral asked Ms. Lachapelle as Rhode Island is such a small state if other agencies are similar in their mission. Ms. Lachapelle responded that internally, RIHousing compares itself with Massachusetts and Pennsylvania as they have similar programs to RIHousing. Furthermore, their role with the state is also comparable to the Corporation's.

Ms. Lachapelle then explained that the next chart relates to return on assets or the profitability of the Corporation. The five (5) year average of assets and profit is very close to S&P's recommendation. If assets continue to grow which depends on the volume of loans sold in the TBA market, that ratio will be lower. The Corporation's strategy is to monitor the market and adjust accordingly.

Committee Chairman Orth questioned the forecast for the upcoming budget. Ms. Lachapelle responded that for the FY2024 staff expects a significant increase in assets, especially in the multifamily side. Presently, RIHousing is projecting the increase at \$400 million. That is the reason that the ratio for the upcoming budget is 0.34% for return on assets.

Committee Chairman Orth clarified that RIHousing would only receive fee income in the first year on the \$400 million, but those assets would remain in the portfolio. Ms. Lachapelle confirmed that fact.

Committee Chairman Orth then inquired how the Corporation would mitigate the risk of loss of fee income in maintaining profitability in future years. Ms. Lachapelle explained that due to the type of assets being added, rating agencies understand that they are low risk, therefore they will not downgrade the Corporation's rating. RIHousing scrutinizes its portfolio closely and adjusts as needed. The Servicing Division's delinquencies are low and as long as there are other compensating factors, RIHousing will continue to maintain its financial status. Additionally, staff has frequent conversations with the ratings agencies to strategize on ways to improve business.

Continuing, Ms. Lachapelle said that the status of non-performing loans is very low and below the rating agencies standards.

In closing, Ms. Lachapelle stated that the loans to assets ratio continues to improve as RIHousing securitizes its loans. Moreover, that number will continue to decrease.

Commissioner Orth thanked Ms. Lachapelle for the information and the opportunity to discuss the Corporation's ratings.

There were no votes taken regarding this item.

b. Pipeline Report

Committee Chairman Orth invited Ms. Berman to report on the pipeline activity.

Ms. Berman said that a lot of deals were approved in June and staff continues to meet with developers on a regular basis to ensure transactions are moving forward to achieve firm commitment and closing within required timelines.

Ms. Berman did note that there is a shortage of architects and engineers but it's nothing that is too alarming.

Furthermore, RIHousing has engaged in preliminary discussions with syndicators regarding credit pricing and credits that may be dropping due to the bank failures in the spring, the abundance of deals seeking syndication across the region and higher interest rates which trigger syndicators to require higher yields. Development staff is being more selective and reviewing pricing cautiously to ensure optimum pricing options. In general, everything is moving forward in a timely manner.

In closing, Ms. Berman said that there are some other tax credit deals in the process and staff is updating the Developer's Handbook, Proforma and One Stop Application for the next Consolidated Funding Round. The goal is to issue the next Request for Proposals for tax credits and gap financing in late September and receive applications in early to mid-December. Ms. Berman mentioned that she expects approximately 30 applications for the next funding round.

Committee Chairman Orth asked staff is receiving inquiries from new and existing developers on how things are working.

Ms. Berman replied that she and staff field a few of those calls every week. She also had one that morning regarding a deal in Little Compton. The calls are generated from every community. Developers recognize the need for housing and are looking to expand on the funding opportunities available.

The Committee Chairman thanked Ms. Berman and stated that concluded the meeting.

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 Commissioner Designee Cabral and seconded by Committee Chairman Orth 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 10:18 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted,

Carol Ventura
Secretary and Executive Director