

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
November 8, 2023

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, November 8, 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.

Committee Chairman Orth introduced himself and officially called the meeting to order at approximately 9:37 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; Sara Cabral, Designee for Elizabeth Dwyer, Director of the Department of Business Regulation and Stefan Pryor. Jonathan Womer, Director of the Department of Administration, and Maria Barry were absent.

RIHousing staff participating were: Carol Ventura, Executive Director; Kara Lachapelle, Chief Financial Officer; Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director of Real Estate Development; Seth St. Jean, Senior Real Estate Development Officer; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

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 August 9, 2023

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on August 9, 2023. A motion was duly made by Chairman Pryor and seconded by Commissioner Designee Cabral.

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 August 9, 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 August 9, 2023, are hereby approved.

b. Approval of Minutes of the Credit Committee Meeting Held on October 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 October 11, 2023. A motion was duly made by Commissioner Designee Cabral and seconded by Chairman Pryor.

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 October 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 October 11, 2023, are hereby approved.

2. Recommendation for Revised Firm Approval of Tax-Exempt Financing for Bernon Mills (Woonsocket)

Committee Chairman Orth announced that Seth St. Jean, Senior Real Estate Development Officer, would present the request.

Mr. St. Jean began by noting the request was for revised firm approval of a RI Housing tax-exempt financing in an amount not to exceed \$14,500,000 for Bernon Mills (hereinafter referred to as “BM or the “Development”). Brisa Ventures LLC is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 19, 2022 and May 18, 2023 (“Preliminary Approval”) and firm approval on June 15, 2023 (“Firm Approval”) for a tax exempt loan in the amount of \$13,000,000. At that time, the Board also approved a Housing Production Fund Loan, Capital Magnet Fund loan, Community Revitalization Program grant, and RI Rebounds loan for the Development.

BM is a historic mill located in Woonsocket, which will be redeveloped into 60 units of rental housing. Utilizing income averaging, all units will be restricted to households with incomes at or below 80% of

Area Median Income (“AMI”). There will be a mix of efficiency, one-bedroom, and two-bedroom units. The Development is receiving five HUD Section 811 vouchers from RIHousing.

BM is recorded as Woonsocket Company Mill Complex on the National Register of Historic Places and was originally built in 1827 for the manufacturing of cotton by the Russell Manufacturing Company. Prior to Developer’s involvement, BM went through several failed redevelopment attempts including an effort to bring the Mills back to manufacturing use and, most recently, a 2012 condominium redevelopment that was abandoned and left incomplete by the previous developer due to financial hardship.

BM consists of three historic buildings, two of which are in very poor condition primarily due to water infiltration, a collapsing and exposed roof, missing and broken windows, and deteriorating mortar between the exterior granite walls. The third building is a partially finished condominium building with 12 occupied units that were converted to rentals several years ago.

Since Firm Approval, the overall scope of the project has been modified and now includes rehabilitation of non-residential buildings. The reason for this change is due to the “10-year hold” rule in Section 42 of the Internal Revenue Code, which governs the low income housing tax credit (“LIHTC”) program. The 10-year hold rule requires ownership for a full 10 years by an owner before a property can be sold and still be eligible for acquisition LIHTC. Under the previous plan, the site was to be split into a land condominium to satisfy the Senior Lender’s requirements. However, the developer acquired the site within the last 2 years, and because the condominium structure would require an additional sale to the new partnership, the project would no longer qualify for acquisition credits under the 10-year rule. The increase in scope results in a higher total development cost, which necessitates increased bond funding. Additional LIHTC equity will be generated; however, no additional RIHousing subordinate funding is being requested since the non-residential costs will be funded separately by historic tax credits.

The additional scope on the non-residential side will include rehabilitation of a pump house, and guard shack. The last remaining building, known as the Carriage House, will not be rehabilitated. The developer has chosen to return the second tranche of state historic tax credits originally slated for the Carriage Housing, which would have triggered prevailing wage on the entire project. The inclusion of the pump house and guard shack will provide amenity space to the development and larger community. The developer was also awarded Providence Revolving Loan Funding of \$1,300,000 since Firm Approval in June.

The proposed capital structure for BM will consist of proceeds from the tax-exempt financing, sale of 4% low-income housing credits (“LIHTCs”), Building Homes Rhode Island Funds (“BHRI”) previously awarded by the State of Rhode Island Housing Resources Commission, HPF funding, CMF Funding, RI Rebounds funding, a CRP grant, Federal Historic Tax Credit equity, Revolving Loan Fund, and a deferred developer fee.

The Developer has secured construction and permanent financing through Bank of America (“BOA”). BOA will provide cash collateral to support RIHousing’s construction loan and then, upon conversion, purchase the tax-exempt bonds issued by RIHousing. The permanent loan will be non-recourse to RIHousing with BOA assuming all financial risk.

Alliant Capital LLC will be the syndicator and is paying \$0.945 per credit, which constitutes an increase of \$863,260 of total LIHTC equity proceeds since Firm Approval.

Staff requests firm approval of \$14,500,000 in tax-exempt financing for Bernon Mills, subject to certain conditions.

Committee Chairman Orth thanked Mr. St. Jean for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Revised Firm Approval of Tax-Exempt Financing for Bernon Mills (Woonsocket).

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

Following the presentation Committee Chairman Orth asked if anyone had any questions.

Committee Chairman Orth thanked Mr. St. Jean for explaining the reasons for the 10-year hold. He noted that under the 10-year rule the project would no longer qualify for acquisition credits. The Committee Chairman inquired if the tax credit counsel was in agreement with that scenario, especially as the owner acquired the property two (2) years ago. Mr. St. Jean responded that the syndicator was responsible for identifying the matter. Since the loan was restructured, everyone is comfortable with the underwriting.

Committee Chairman Orth then asked for clarification concerning the total development costs of \$480,000, be it net or reserves and that prevailing wages no longer apply. Committee Chairman Orth wanted to know how staff is justifying the cost.

Mr. St. Jean said that the owner had increased the developer fees to generate additional tax credits and also increased the acquisition to generate extra credits. If those were removed from the financing structure, then the per unit cost is \$446,000. Also, since last approval, the senior lender has inserted specific thresholds for certain soft costs that have increased along with escalated environmental costs.

Committee Chairman Orth acknowledged the reasons but wondered if the cost is justified. Anne Berman, Director of Real Estate Development opined that the appraisal justifies the acquisition price. Staff also compared the financing costs with other recent mill conversations, including Millrace and determined that this project was less expensive. It speaks to the type of construction needed for the renovation. Bernon Mills is in poor condition and requires a lot of work. Moreover, when projects have to meet the National Park Historic guidelines, it's much more expensive.

Committee Chairman Orth then mentioned that the debt service coverage is relatively high. In light of the fact that there's so much soft funding, he wanted to know if that was reasonable. Committee Chairman Orth also inquired if RIHousing is receiving 50% of the excess funds.

Mr. St. Jean confirmed and Ms. Berman elaborated that it's a requirement by Bank of America. That is the way they are underwriting the transaction. Additionally, it's an income averaging deal, therefore the developer is not certain that they will achieve the 80% rents. Ms. Berman then reiterated that RIHousing is receiving 50% of the cash flow.

There being no further questions, Ms. Myers then conducted a voice vote of the Commissioners for recommending Revised Firm Approval of Tax-Exempt Financing for Bernon Mills (Woonsocket).

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for Revised Firm Approval of Tax-Exempt Financing for Bernon Mills (Woonsocket) was unanimously approved.

3. Recommendation for Authorization to Issue Tax-Exempt Bonds to Support the Development of Bernon Mills \$14,500,000 (Woonsocket)

Committee Chairman Orth once again invited Mr. St. Jean to give the presentation.

Mr. St. Jean said that the recommendation was for approval of the issuance by RIHousing of tax-exempt bonds in an amount not to exceed \$14,500,000 to be utilized in a tax-exempt cash collateralized transaction with Bank of America, N.A. (“BOA”) to fund the construction-to-permanent financing for a portion of the multifamily rental housing development in Woonsocket known as Bernon Mills.

Bernon Mills will provide 60 units of housing, of which 100% will be affordable to households whose incomes are at or below 80% of area median income. The developer, Brisa Ventures, LLC, has formed a limited partnership, Brisa Bernon Mills, LP (the “Borrower”), which will be the owner of the project and the recipient of the loan.

In accordance with the cash collateralized structure, RIHousing will deposit the bonds into a Collateral Fund to be held under the Trust Indenture for advances of proceeds made to the Borrower by BOA. BOA has agreed to provide a separate construction bridge loan to the Borrower, with the proceeds being used to cash collateralize the bonds. The loan will convert to permanent financing upon the completion of the Project. RIHousing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility.

The permanent loan will be non-recourse to RIHousing. RIHousing will receive a one-time origination fee of 2% of the first \$5MM and then 1% of the remaining principal amount of the loan, plus an annual servicing fee equal to 25 basis points of the outstanding loan balance.

RIHousing staff recommends approval authorizing the issuance of tax-exempt bonds up to an amount of \$14,500,000 to finance the acquisition and construction of Bernon Mills pursuant to a private placement transaction with Bank of America, N.A.

Committee Chairman Orth thanked Mr. St. Jean and asked for a motion and a second to recommend to the Board of Commissioners Authorization to Issue Tax-Exempt Bonds to Support the Development of Bernon Mills \$14,500,000 (Woonsocket).

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

Committee Chairman Orth asked for clarification that the bonds would be outstanding for two (2) to three (3) years. Kara Lachapelle, Chief Financial Officer confirmed that the bonds are outstanding during the construction period. Once the transaction converts to permanent financing, it will be a conduit deal with Bank of America. Bank of America will then purchase the bonds under a funding loan agreement. The tax-exempt bonds will remain outstanding.

Committee Chairman Orth then referenced the 2% origination, the 1% beyond the \$5 million and 25 basis points servicing fees. He wanted to know if there were any additional costs for issuer counsel, financial consultant fees and who is responsible for those fees.

Ms. Berman explained the borrower is responsible for those costs.

Committee Chairman Orth commented that he felt that it was pricey for the borrower to cover those costs. He acknowledged that it is standard practice for the Corporation and that the borrower is willing to pay those cost, but asked if that level of fee was appropriate.

Ms. Berman stated that due to the complexity of the conduit structure, the origination fee is a bit higher. Borrowers always pay the actual cost of issuance fee.

Ms. Lachapelle verified that this is the traditional origination fee when RIHousing is the only lender. In this situation, where it's essentially two (2) different transactions there is much more work involved on the Corporation's and partners' end. Typically, for a conduit deal the fee is 1% but because this transaction is essentially two (2) deals, the fees are higher.

No further discussion was presented.

Ms. Myers then conducted a voice vote of the Commissioners for Authorization to Issue Tax-Exempt Bonds to Support the Development of Bernon Mills \$14,500,000 (Woonsocket)

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for Authorization to Issue Tax-Exempt Bonds to Support the Development of Bernon Mills \$14,500,000 (Woonsocket) was unanimously approved.

4. Recommendation for Firm Approval of First Mortgage Financing for Rockville Mill (Hopkinton)

Committee Chairman Orth announced that Ms. Berman, Director of Real Estate Development Officer, would give the presentation for firm approval of financing for Rockville Mill.

Ms. Berman stated that the request was for firm approval of RIHousing first mortgage taxable financing in an amount not to exceed \$1,000,000 for Rockville Mill (hereinafter referred to as the "Development"). Marathon Development, LLC is the developer (the "Developer").

Rockville Mill, located in Hopkinton, consists of 14 residential units and a commercial space leased by the US Post Office. House of Hope is utilizing one of the residential units as office space to provide supportive services to project residents. The mill dates back to 1850 and was converted to its current residential and commercial use in 2011. The Developer acquired the property for \$855,000 in November of 2020 with funding from the CARES Act, a pandemic recovery program, as well as owner equity. The CARES Act provided funds for the acquisition and renovation of property for the purpose of creating supportive housing for individuals experiencing homelessness or at risk of homelessness due to the COVID 19 pandemic.

At the time of acquisition in 2020, the residential units were vacant due to mismanagement and a subsequent receivership initiated by the senior lender. The building was in good shape at the time of acquisition due to the prior renovation. The Developer has since fully leased the project working closely with the House of Hope who provides supportive services to the residents and operating assistance through Continuum of Care ("CoC") subsidies. As part of stabilizing the property, the Developer spent approximately \$240,000 to address minor life-safety issues and some deferred maintenance, of which most was self-funded, however earned no developer fee through the CARES Act funding. In the past several months, the Developer secured a 20-year project-based voucher

(“PBV”) contract ensuring that the Development will remain as permanent supportive housing. It will also free up the CoC subsidies for other developments served by House of Hope. The CARES Act regulatory agreement expires at the end of 2023. This refinancing will result in a 40-year regulatory agreement.

In closing, Ms. Berman said that staff requests firm approval of \$1,000,000 in taxable first mortgage financing subject to certain conditions.

Committee Chairman Orth thanked Ms. Berman for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of First Mortgage Financing for Rockville Mill (Hopkinton).

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

A brief dialogue followed.

Committee Chairman Orth stated that Rockville Mill was a great project. The Committee Chairman then asked if the CARES Act funding is a grant, a loan and/or if it needs to be repaid.

Ms. Berman reminded the Committee that the CARES Act funds was a three (3) year grant which involved a three (3) year regulatory agreement. She explained that the Act was not created by RIHousing. Interestingly, the grant did not cover what it actually cost the owner to implement the program. However, at the end of the three (3) year period, the development would be converted to permanent supportive housing. The owner was successful and able to convert the development to permanent supportive housing with project based vouchers.

Following the question, Ms. Myers then conducted a voice vote of the Commissioners for Firm Approval of First Mortgage Financing for Rockville Mill (Hopkinton).

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for Firm Approval of First Mortgage Financing for Rockville Mill (Hopkinton) was unanimously approved.

5. Recommendation for Firm Approval of Financing for Summer Street Apartments (Providence)

Committee Chairman Orth introduced and invited Dean Harrison, Assistant Director of Real Estate Development to present the recommendation for Summer Street Apartments.

Mr. Harrison commenced by saying the request was for firm approval of RIHousing tax-exempt financing in an amount not to exceed \$42,000,000, of which \$10,450,000 will remain as a permanent first mortgage, a HOME Investment Partnerships Program (“HOME Program”) loan of \$1,500,000, a Capital Magnet Fund (“CMF”) Loan of \$1,000,000, a Development of Affordable Housing-2 (“DAH-2”) loan of \$4,000,000, a Rhode Island Rebounds (“DAH-1”) loan of \$2,500,000, and a Community Revitalization Program (“CRP”) award of \$1,900,000 for Summer Street Apartments (hereinafter referred to as the “Development”). Crossroads Rhode Island is the developer (“Crossroads” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on May 18, 2023 (“Preliminary Approval”).

The Development will consist of 176 new units on a vacant lot adjacent to the property known as The Tower at 160 Broad Street in Providence. The Development is the first phase of Crossroads' overall plan to renovate the area around The Tower, including the area where the Crossroads administrative offices are located. The site is conducive to a residential development as it is within a Transit Oriented Development (TOD) overlay zone, which has been identified by the City of Providence as a priority for high density growth because of its proximity to transit and neighborhood amenities, residential services and a commercial corridor.

All 176 units will be one-bedroom units and will be available to households with incomes at or below 30% of area median income ("AMI"), which will allow the Development to serve extremely low-income residents. The existing McKinney-Vento contract in The Tower will be transferred to the Development and converted into a Rental Assistance Demonstration ("RAD") contract. The RAD contract, a Project Based Voucher ("PBV") Contract, and a HUD Section 811 Voucher Contract will provide operating subsidies to 168 of the 176 units. The remaining eight units will be self-pay.

The Total Development Cost ("TDC") has increased nearly \$5 million since preliminary approval. The increase is due primarily to increased construction costs, higher insurance costs and increased construction loan interest expense. The RAD conversion will trigger prevailing wages and increased prevailing wage rates became effective between Preliminary Approval and the execution of the construction contract. The increased construction loan interest is a result of higher borrowing costs. The Borrower has filled this gap primarily through increased syndication proceeds and a larger permanent loan.

Since Preliminary Approval, the Developer has secured the National Equity Fund ("NEF") as their limited partner. Bank of America, N.A. ("BOA") is NEF's investor and will be the initial construction lender, which allowed NEF to offer LIHTC pricing of \$0.948. RIHousing will issue the tax-exempt bonds for this project 11 to 12 months after closing with a portion of the bond proceeds used to repay the BOA loan. To lock in the construction costs included the current prevailing wage scales and take advantage of early funding commitments, Crossroads issued a limited notice to proceed to the general contractor in August. The environmental remediation is now complete with the site work, construction of the basement and foundation piers underway. This work is anticipated to be completed before the winter season, thereby saving on construction costs. The completion of this work prior to the closing also reduces the risk of finding unforeseen site and environmental conditions.

Finally, Mr. Harrison said that staff requests firm approval of \$42,000,000 in tax-exempt financing, of which \$10,450,000 will remain as permanent debt, a HOME Program loan of \$1,500,000, a CMF Loan of \$1,000,000, a DAH-2 loan of \$4,000,000, a DAH-1 loan of \$2,500,000, and a CRP grant award of \$1,900,000 subject to certain conditions.

Committee Chairman Orth thanked Mr. Harrison for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Summer Street Apartments (Providence).

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

A short discussion followed.

Chairman Pryor remarked that everyone is familiar with the project and wants to see it come to fruition. He did question the timing of the financing and how it fits into the overall project process.

Chairman Pryor wanted to know why RIHousing is requesting approval when construction has started.

Ms. Berman said it was great question, however, as the project had prevailing wages, the wages kept changing due to the delays in signing the construction contract. Therefore, those wages kept increasing, which in turn meant the contract increased. The borrower took a \$1.5 million hit that is reflected in the deferred developer fee. The borrower needed to lock in the pricing on the prevailing wages, consequently they started construction ahead of time. Additionally, they wanted to deal with the environmental remediation and the dewatering of the site prior to winter to get the foundation poured to build during the winter months. The remediation is going well and the site work is underway.

Chairman Pryor acknowledged that those were sound reasons; the developer took a risk while RIHousing continued its underwriting process and the project is moving forward.

Chairman Pryor then referenced the 50% threshold for the realization of the Bank of America commitment and wanted to know if the amount chosen was a sensible number. Ms. Berman assented saying that it's between 50% and 75%. Bank of America prefers the 75% as they would earn more money, but RIHousing prefers 50%. It also boils down to the timing of the bonds. Staff strives to package several loans together therefore, it's difficult to time it to fit exactly to 50% or 75%. It's part of what Bank of America required to participate in the loan and they are paying 95 cents per LIHTC credit which is a great price.

Committee Chairman Orth followed up on the conversation regarding construction already in progress. He queried if bond counsel has been involved in the transaction and has signed off on the strategy. Ms. Berman confirmed that fact.

The Committee Chairman then mentioned that the financing cost of \$7 million appears exceedingly high. Ms. Berman announced that staff would review the proforma and report back to the Committee.

Committee Chairman Orth also stated that overall, at \$84 million Summer Street is the largest deal RIHousing has funded. It's a high profile development and Committee Chairman Orth wondered if the Corporation has sufficient staff to oversee the construction. Ms. Berman emphasized that RIHousing staffs is sufficient and competent to manage its pipeline, the soft funds and the Davis Bacon requirements.

Mr. Harrison highlighted that the capital stack incorporated 21 different funding sources.

Following the discussion, Ms. Myers conducted a voice vote of the Commissioners for the Firm Approval of Financing for Summer Street Apartments (Providence).

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for the Firm Approval of Financing for Summer Street Apartments (Providence) was unanimously approved.

6. Recommendation for Approval of Public Housing Authority Program (PHAP) Funding Awards

Committee Chairman Orth announced that Mr. Harrison would also provide information on the Approval of Public Housing Authority Program (PHAP) Funding Awards.

Mr. Harrison explained that the Public Housing Authority Program (“PHAP”) is funded with State and Local Fiscal Recovery Funds (“SFRF”) appropriated to the United States Department of Treasury (“Treasury”) through the American Rescue Plan Act of 2021 for the production of affordable housing for households with incomes at or below 80% of area median income (“AMI”). Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) was authorized to implement and administer \$10,000,000 of PHAP funding.

PHAP funds are designated for technical assistance, predevelopment and housing production. Pursuant to Summary Guidelines established by RIHousing (the “Guidelines”), PHAP production funding must include production of new units by a Public Housing Authority (“PHA”) or a non-profit affiliate of the PHA, which may include demolition of obsolete housing in conjunction with the construction of net new housing units. Applicants can submit technical assistance and predevelopment applications on a rolling basis. Applications for housing production funds were part of a Request for Proposals (“RFP”) The Guidelines restrict occupancy of the new rental units to households that meet standard PHA eligibility.

In early June 2023, RIHousing issued a RFP for PHAP funds from qualified applicants. Applications for housing production projects were due June 30, 2023. In response, RIHousing received 3 proposals requesting \$8,070,466 in PHAP production funds. After an initial review of the applications, Development Division staff requested clarifying information from applicants regarding apparent deficiencies. Following receipt of the additional information from the applicants, all applications were reviewed in accordance with the published Program Review Criteria.

The RFA as presented propose two (2) awards however, the Committee has approved a third award and staff is recommending that all three (3) projects be recommended for approval. The Pawtucket and Newport Housing Authority’s proposals were described in an attachment that was included as part of the November 8, 2023 board package. The third award is for the Narraganset Housing Authority

- rehabilitation of 9 units as part of a RAD transaction that will convert all 9 units from public housing units to Project Based Voucher units.
- The RAD conversion will result in a more sustainable financial model for the NHA
- The proposed renovations will include interior and exterior improvements totaling approximately \$90,000 per unit.
- The proposed PHAP award is \$118,500 per unit.
- This award will be contingent upon initiation of the RAD conversion with HUD

All such PHAP awards are contingent upon the applicant’s ability to secure additional committed funding as outlined in an attachment that was included as part of November 8, 2023 Credit Committee package. These PHAP awards will directly fund 56 units, of which all will be reserved for households with incomes at or below 80% of AMI.

Staff recommends authorizing the allocation of up to \$\$8,116,400 in PHAP funds is recommended for approval, contingent upon (i) receipt of the PHAP funds from the State of Rhode Island; (ii) the availability of all other funding for each project; and (iii) compliance with the Guidelines.

Committee Chairman Orth thanked Mr. Harrison and asked for a motion and a second to recommend to the Board of Commissioners the Approval of Public Housing Authority Program (PHAP) Funding Awards.

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

Chairman Pryor asked Mr. Harrison what the total funding is for this round of awards. Mr. Harrison said that the total award for the program is \$10 million. Chairman Pryor then wanted to know how much is being recommended for approval for this particular round. Mr. Harrison responded that the amount for the awards is \$8,116,400.

Chairman Pryor noted that there's a small amount of funds remaining to be utilized. He wondered if staff communicated that \$150,000 is a hard cap for the program or if exceptions are allowed. Mr. Harrison verified that the program guidelines specify \$150,000 as the cap.

Chairman Pryor thought that the cap was a guideline but when it was prudent to move noteworthy projects to completion, then exceptions would be made. He mentioned that getting projects done is a high priority of the General Assembly and producing affordable housing is of great importance.

Chairman Pryor questioned the Pawtucket Housing Authority project asking where and how the Housing Authority could pursue options for the remaining resources required. Ms. Berman stated that she expects the PHA to allocate a small amount of funds and return to RIHousing for the next funding round.

Ms. Ventura also mentioned that Pawtucket Housing Authority could ask the City for the funds. She declared that the Housing Authority has been very successful working with the City.

Chairman Pryor speculated if the Corporation should approve the funding and wait for the Housing Authority to come in for the next funding round or give authority to staff to negotiate the package and return to the Committee for approval. He said that as there's money to spare and there's a project that should materialize, he wondered if there's a way to accomplish that goal. The Chairman suggested opening conversations with the City to see if they would meet halfway for the funding. He also wanted to know if it was feasible to fast track it without a new process.

Ms. Ventura stated that she was not certain of the specifics of the program but will have staff review the guidelines and report back to the Committee. If staff determines that there is room for negotiations, staff can modify the action for the board meeting.

Chairman Pryor stated he is trying to keep the project moving forward.

Ms. Berman announced that there's approximately \$280,000 of PHA funds remaining for disbursement which is not a large amount of money. Mr. Harrison affirmed that to date, \$9,716,400 is the total awarded from previous allocations and today's recommendation.

Committee Chairman Orth did acknowledge that it would be difficult to allocate just \$280,000. Some flexibility would be beneficial.

Committee Chairman Orth next remarked that the \$10 million was designated for technical assistance, predevelopment and housing production. The recommendations presented at the meeting were for housing production. Committee Chairman Orth believed that a primary component of the funds was for technical assistance to other housing authorities and to distribute predevelopment funds to kick start projects. The Committee Chairman wanted to ensure that mandate was happening. Mr. Harrison assured the Committee that RIHousing has awarded \$350,000 to various housing agencies including Coventry Housing. Ms. Berman further expounded by saying that staff has awarded funds to seven (7) housing agencies for technical assistance.

Additionally, Mr. Harrison said that \$1,250,000 of predevelopment dollars and technical funds have been awarded to numerous housing agencies.

Ms. Ventura remarked that staff would prepare a report outlining the distribution of PHAP dollars and the specific agencies that were awarded the funds.

Ms. Berman noted that staff received some aggressive proposals from South Kingstown, Coventry and other agencies that were not ready to meet the production requirements for a specific timeline of when funds must be committed and spent.

Committee Chairman Orth then inquired on how many housing agencies are in Rhode Island. Ms. Berman and Ms. Ventura believed the number is around 19, or 20 if you include RIHousing. Ms. Ventura did acknowledge that not all the Housing Authorities engage in development activity.

Committee Chairman Orth remarked that he was pleased to see Pawtucket Housing Authority utilizing the program.

Chairman Pryor reminded the Committee that the General Assembly authorized the PHAP funding two (2) sessions previously and last year amended the authority to pursue the PHAP funding for publicly driven development. He also stated that the General Assembly requested a feasibility study around the next generation of public housing development. The Chairman announced that the Department of Housing has issued a solicitation for the feasibility study. He stated that Ms. Ventura and a selection committee will choose the firm to produce that report.

Mr. Harrison informed the Committee that there are some Public Housing Authorities that are using a spinoff non-profit to work on special projects. Mr. Harrison anticipates that a few of those projects will be forwarding applications for the next funding round.

No further questions were presented.

Ms. Myers then conducted a voice vote of the Commissioners for the Approval of Public Housing Authority Program (PHAP) Funding Awards as presented at the meeting with authority to continue negotiations.

The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for the Approval of Public Housing Authority Program (PHAP) Funding Awards as amended was unanimously approved.

7. Discussion:
 - a. Pipeline Report

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

Ms. Berman was happy to report that staff is actively working deals that were previously approved and that significant progress has been made to move those deals forward. Ms. Berman expects to bring some of those transactions to the board either in January or February. Staff is working to ensure that no open items are outstanding.

Ms. Berman did note that she anticipates that some projects may experience funding gaps. The reason for those gaps pertain to the rising interest rates which have increased 200 basis points and increases in construction cost, especially electrical equipment and long lead items that value engineering cannot combat. Ms. Berman foresees that a small number of developers will apply for the next funding round and expects to take those few projects that return for financing early in the process to ensure they move forward within the 12 months designated guidelines.

Additionally, Ms. Berman and Mr. Harrison continue to communicate weekly with new developers on a variety of projects.

In closing, Ms. Berman mentioned that POAH, which has two (2) deals in RIHousing's pipeline received more than \$10 million dollars from the Green and Resilient Retrofit Program (GRRP) funds from HUD. The GRRP program is part of the Inflation Reduction Act. The funding will allow the developer to significantly increase the energy efficiency improvements that will be reflected in the firm commitment of the projects. Staff is working on incorporating the award in the scope of work. Ms. Berman did say that the award will trigger Davis Bacon wages; therefore, the cost will be slightly higher. RIHousing anticipates bringing those commitments to the board within the next few months.

Ms. Ventura added that Tony A'Vant, Assistant Director of Design and Construction reported on the work being done on the design guidelines. She said that staff is on track and a final set of guidelines will be produced by end of December.

Ms. Ventura also noted that she participated in conversations with the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH) regarding handicapped accessibility for affordable units. She mentioned that a proposal is anticipated to be presented to the board regarding design guidelines for retrofits and new construction. The Executive Director said that it makes sense to provide that accessibility and there is a lot of discussion around the subject. She recognized that a huge need exists for units with those improvements.

Committee Chairman Orth acknowledged the need and felt that being able to provide clear guidelines is important.

Ms. Ventura agreed, saying that being able to retrofit existing units is not only beneficial but achievable.

Finally, Ms. Berman declared that the Developer Handbook is revised every year and will include the new programs proposed by the Department of Housing. The proformas have also been updated and modified; it interfaces well with the new system. Once final sign off is received, staff will post the updated version.

Committee Chairman Orth thanked Ms. Berman and staff for all the reports and great work. He was pleased to see so much being accomplished.

There were no votes taken regarding this item.

Adjournment

There being no further business to discuss, Committee Chairman Orth asked for a motion to adjourn the meeting. A motion was duly made by Chairman Pryor 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 10:27 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted,

Carol Ventura
Secretary and Executive Director