

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
April 12, 2023

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on April 12, 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, Shayla Simmons, Deputy General Counsel, provided additional guidance for the meeting. Ms. Simmons 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. Simmons 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 9:34 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, Interim Director of the Department of Business Regulation. Maria Barry was absent.

Stefan Pryor, Secretary of Housing was also present.

RIHousing staff participating were: Carol Ventura, Executive Director; Kara Lachapelle, Chief Financial Officer; Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director Real Estate Development; Lauren Farley, Senior Program Manager Development; Jeffrey Swanson, Senior Real Estate Development Officer; Christine Hunsinger, Chief Strategy & Innovation Officer; Shayla Simmons, Deputy General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

Committee Chairman Orth introduced and welcomed Stefan Pryor, Secretary of Housing to the meeting. He announced that Mr. Pryor has been appointed Chairman of the Board of Commissioners and said that he is excited to have the Secretary join RIHousing's Board.

Mr. Pryor thanked Committee Chairman Orth for the introduction and stated that is looking forward to working with the Board of Commissioners and staff.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on March 8, 2023

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on March 8, 2023. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

There being no discussion, Shayla Simmons, Deputy General Counsel conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on March 8, 2023. The Commissioners unanimously voted to approve the minutes.

Ms. Simmons then stated that the following was unanimously adopted:

VOTED: That the minutes of the Credit Committee Meeting held on March 8, 2023, are hereby approved.

2. Recommendation for Firm Approval of Financing for Marvin Gardens Apartments (Providence)

Committee Chairman Orth announced that Jeffrey Swanson, Senior Real Estate Development Officer would give the presentation.

Mr. Swanson began by saying that the request was for firm approval of RIHousing taxable permanent financing in an amount not to exceed \$18,025,000 for Marvin Gardens Apartments in Providence (hereinafter referred to as the "Development"). Cathedral Development Group, Inc. is the developer (the "Developer").

Marvin Gardens Apartments consists of four three-story garden-style buildings originally constructed in 1979. The Development has 109 one-bedroom and 12 two-bedroom apartments for elderly and disabled households. Amenities include an outdoor communal patio, community room with a kitchen, common laundry room, and management office. The Section 8 Housing Assistance Payments contract (the "HAP Contract"), which covers all 121 units, is in the process of being renewed for 20 years with rents marked up to market.

MG Apartments, LP (the "Owner" or the "Mortgagor"), an affiliate of the Developer, acquired the Development in 2011 through an arm's length transaction. Moderate rehabilitation was completed that same year utilizing tax-exempt bonds and Low-Income Housing Tax Credits. Exterior upgrades, including new windows, doors, and siding, as well as some environmental remediation, were completed. Additional interior work consisted of elevator and fire alarm upgrades, unit upgrades, improvements to community spaces, as well as boilers and HVAC work. The Developer has continued to make investments in the property over the past 10 years using excess cashflow.

According to the RIHousing-commissioned capital needs assessment (“CNA”), no immediate work is required at this time. The Developer plans to address future capital needs as they arise. Per the CNA, the replacement reserve balance will remain positive through the first 15 years of the new loan; with the Mortgagor depositing \$2,000 per unit in the replacement reserve at closing and \$300 per unit per annum. A new CNA will be required at year 10 to ensure that the replacement reserve will stay positive for the next 15 years. If required, the annual deposits to the replacement reserve will be increased at that time. The Developer is also planning to complete an equity take-out.

Finally, Mr. Swanson said that staff recommends firm approval of a taxable permanent loan in an amount not to exceed \$18,025,000, which will be funded through the Federal Financing Bank Risk-Sharing Initiative, subject to certain conditions.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Marvin Gardens Apartments (Providence).

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

A brief discussion followed with Commissioner Designee Cabral noting that the transaction was a refinance of the original loan. She wanted to know if the original mortgage interest rate was higher and was the reason for the request to refinance the property.

Anne Berman, Director of Real Estate Development replied that the previous mortgage interest rate was higher, but the loan included prepayment language. As part of the prepayment condition, staff performs an analysis to determine what is best for the borrower and RIHousing. The new loan structure benefits both the customer and RIHousing. Additionally, the refinance preserves the affordability of the development for an additional 40 years. That strategy allows RIHousing to retain the loan in its portfolio for the long term.

Commissioner Designee Cabral then wanted to know what the equity cash out is used for. Ms. Berman explained that the refinance acts as if the owner sold the property, pays off RIHousing’s existing mortgage and receives their portion of the proceeds.

Secretary Pryor asked if the HAP contract has been approved by HUD. Mr. Swanson confirmed that the 20 year HAP contract has been approved by HUD.

Mr. Pryor also asked for clarification regarding the fact that the new loan is for \$18 million with a \$5 million cash out payment. He wanted to know who the property transfers to. Ms. Berman stated that there is no transfer of ownership, the owner will pay off the \$5 million existing RIHousing loan and \$12 million reverts to the owner. This way, the financing allows RIHousing to retain the loan and preserve the development for an additional 40 years. The developer is an experienced, known entity, has effectively managed the property and maintained the development in excellent condition.

Mr. Pryor then asked for clarification on the HAP rents. Ms. Berman said RIHousing underwrites to the lower of the market rate rents or HAP rents. Staff uses a conservative approach to determine rent feasibility.

Committee Chairman Orth commented that the owner is a long standing customer that has done a good job in maintaining the property. Additionally, the development is a great property for RIHousing's portfolio.

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

Ms. Simmons then officially stated that the recommendation for Approval of Financing for Marvin Gardens Apartments (Providence) was unanimously approved.

3. Recommendation for Approval of Acquisition and Revitalization Program (ARP) Funding Awards

Committee Chairman Orth invited Lauren Farley, Senior Program Manager Development to proceed with the presentation.

Ms. Farley stated that on March 2, 2021, the voters of the State of Rhode Island passed a state bond referendum authorizing the issuance of \$65,000,000 in bonds to increase the availability of affordable housing and support community revitalization through the redevelopment of existing structures, new construction, and property acquisition. RIHousing was authorized by the Executive Office of Commerce ("Commerce") to implement and administer a program using \$15,000,000 of these funds for the improvement of properties that are blighted or in need of revitalization. The program is known formally as the Acquisition and Revitalization Program ("ARP").

ARP's purpose is to stabilize neighborhoods and communities by strategically targeting foreclosed and/or blighted residential and commercial properties and vacant lots in need of redevelopment. Encouraging redevelopment of vacant, foreclosed and/or blighted properties will revitalize neighborhoods and communities, stabilize the housing market, and improve local economies. The funding is available to non-profit and for-profit developers, municipalities and public housing authorities.

Pursuant to ARP Summary Guidelines established by RIHousing ("Guidelines"), ARP funding is available statewide but 75% of the funding is set aside for urban communities. The Guidelines restrict the income of households that will occupy the redeveloped residential or mixed-use properties to 120% of area median income ("AMI"). In addition, the Guidelines prioritize redevelopment of commercial properties and vacant lots located in low- and moderate-income census tracts or that serve low- and moderate-income households.

RIHousing previously awarded \$6,031,197 of ARP funds pursuant to a November 2021 Request for Proposals ("RFP"), leaving an available balance of approximately \$9,000,000. In November 2022, RIHousing issued a second RFP for ARP funds from qualified applicants. In response, RIHousing received 18 proposals requesting approximately \$21,022,000 in ARP funds. Two of the applications were for commercial development only. After an initial review of the applications, Development staff requested clarifying information regarding apparent deficiencies. Following receipt of the additional information from the applicants, all applications were reviewed by Development staff in accordance with the published Program Review Criteria to evaluate whether the applications contained the following ARP threshold criteria for awards:

1. Applicant must demonstrate that the development activity will commence within six months

of approval of funding.

2. Applicant must demonstrate that the development is financially feasible.
3. Applicant must demonstrate the experience and capacity to complete the project and to operate/maintain the project for a minimum 15-year period (as applicable) based upon experience with projects of similar complexity.
4. Applicant must demonstrate the need or demand for the project through market analysis, local demographics, existing demand for the project, etc.

Development staff scored only those applications that passed the threshold analysis. Of the 18 proposals received, 6 ARP proposals did not meet threshold requirements.

While it is anticipated that additional ARP awards will be made at future meetings, RI Housing staff is currently recommending funding for the 2 commercial proposals, as described in the amount of \$4,000,000. The proposed awards are contingent upon the applicants' ability to secure additional committed funding to complete their capital stack by October 31, 2023. These ARP awards will directly fund 20 commercial units.

Finally, Ms. Farley said that staff recommends authorizing the allocation of up to \$4,000,000 in ARP funds for approval, contingent on compliance with ARP guidelines and certain conditions.

Committee Chairman Orth thanked Ms. Farley for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Acquisition and Revitalization Program (ARP) Funding Awards.

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

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

Mr. Pryor, Secretary of Housing asked Ms. Farley how the applicants are progressing with meeting the capital stack required for financing. Ms. Farley responded that she is confident that Hive Life Apartments will not have any difficulty with procuring the soft funds to complete the capital stack. 25 Bough Street might require some additional resources to complete the stack.

Mr. Pryor also wanted to know if staff has an estimate regarding when the capital stack would be completed. Ms. Berman stated that she did not have that information. However, the last piece of the capital staff is the New Markets Tax Credits. Mr. Pryor then asked if staff knows how many tenants have been procured. Ms. Berman did not have that information but will research the matter for the Committee.

Commissioner Designee Cabral queried which bank has been secured for the project. Ms. Berman and Ms. Farley responded that Centerville Bank is the proposed tenant.

Committee Chairman Orth asked if staff is aware of the approximate size, square foot of the project. Ms. Berman and Ms. Farley replied that they will investigate that information and report back to the Committee.

Commissioner Designee Cabral mentioned that there's a video link that shows the dimensions of the property. Ms. Berman offered to email the link to the Commissioners.

Commissioner Designee Cabral then asked if the \$53 million amount for Hive Life Apartments is for the entire project. Ms. Berman confirmed that fact.

Committee Chairman Orth inquired about the commercial component of the Hive Life Apartments project. Ms. Farley said that the proposal includes a restaurant and an arcade arena.

Committee Chairman Orth acknowledged that it's a gorgeous structure. He wanted to know if staff has seen the proforma and if it's feasible. Ms. Berman verified that she has reviewed the proforma and staff is satisfied with the analysis.

Committee Chairman Orth then mentioned that 18 proposals were received, six (6) did not meet threshold criteria, and questioned when the remaining 12 applications will be processed.

Ms. Ventura remarked that staff is reviewing the applications and expects that they will be coming to the May meeting. Ms. Berman elaborated by saying that many of the applications did not include blight letters from the municipality. Staff anticipates eight (8) to 10 projects to be brought forward for consideration in May.

There being no further questions, Shayla Simmons, Deputy General Counsel conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Simmons then officially stated that the recommendation for Approval of Acquisition and Revitalization Program (ARP) Funding Awards was unanimously approved.

4. Recommendation for Authority to Adopt Multi-Family Development Bond General Resolution and Supplemental Resolution for Series 2023 - \$100,000,000.

Committee Chairman Orth announced that Kara Lachapelle, Chief Financial Officer would present the request.

Ms. Lachapelle began by noting that the request seeks the authority to issue up to \$100,000,000 in multi-family development bonds under the Multi-Family Development Bond General Resolution and Supplemental Resolution for Series 2023.

RIHousing finances its multi-family loans by issuing bonds, in one or more series, identified for that purpose. RIHousing has approximately \$100,000,000 multi-family loans in the process of closing that may require bond financing during the next year. At this time, it is necessary for RIHousing to issue its Multi-Family Development Bonds to finance those multi-family loans closing in the next few months, as well as to provide anticipatory funding for upcoming multi-family loan production. Sizing of this bond issuance would also include required debt service reserves.

Staff recommends the issuance of up to \$100,000,000 of both short and long-term bonds under the Multi-Family Development Bond Program.

Committee Chairman Orth thanked Ms. Lachapelle for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Authority to Adopt Multi-Family Development Bond General Resolution and Supplemental Resolution for Series 2023 - \$100,000,000.

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

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

Secretary of Housing Pryor asked Ms. Lachapelle if she could provide a synopsis of how the bond process works.

Ms. Lachapelle explained that Finance identifies projects that are closing or are close to closing. Staff works with bond counsel and bond underwriters to identify bond funding, bundle the loans and issue the bonds. Depending on the portfolio, RIHousing will not request the full \$100 million issuance. Typically, the first issuance is for approximately \$30 to \$40 million. If the projects are not viable at time of issuance, bond counsel would not approve the transaction.

Committee Chairman Orth questioned how the bond market is faring. Ms. Lachapelle explained that the market changes daily. However, it's better than it has been in the past six (6) months.

Following the questions, Shayla Simmons, Deputy General Counsel conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Simmons then officially stated that the recommendation for Authority to Adopt Multi-Family Development Bond General Resolution and Supplemental Resolution for Series 2023 - \$100,000,000 was unanimously approved.

5. Discussion:
 - a. Pipeline Report

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

Ms. Berman was happy to report that four (4) transactions that were approved in February and March are scheduled to close in May and June. Frenchtown Road I & II, West House II, Parcel 9 and Park Holm IV are closing shortly.

Continuing, Ms. Berman noted that staff has completed their reviews of the responses received for the Consolidated RFP and are finalizing scoring. Staff anticipates multiple preliminary approvals for 9% and 4% developments as well as program awards for each of the SFRRF production programs and HOME, HTF, CMF and ARP at the May Board Meeting. Ms. Berman anticipates approximately 17 transactions will be presented at the May board meeting.

Development staff is meticulously working through proposals to maximize dollars to fund as many projects as possible.

Committee Chairman Orth asked if any of the developments are experiencing difficulties with the construction phase, mainly securing supplies.

Ms. Berman remarked that the oddest item that staff has seen is the electric metering banks required for the completion of the projects. There's a one (1) to two (2) year wait period for the meters. Generators are other items that are difficult to procure. Thankfully supply chain issues have minimized.

Jeff Swanson substantiated that developers have been proactive in procuring alternate items for windows, roofing components, etc. The meters are the major item that has proven to be challenging.

Mr. Pryor thanked staff for the tremendous amount of work expended on the applications. He appreciated the breakdown. The Secretary suggested that for the Housing Production projects staff indicate how close the projects are to completing the capital stack. Given the state of the market and the high interest rates, getting projects in the ground is important, especially with the limited number of resources available. An outline of which project is closest to completion would be appreciated.

Ms. Ventura did note that most approvals will be preliminary and therefore there is a good amount of work needed to usher the projects to firm commitment and construction start.

Committee Chairman Orth recommended strategizing on the best way to present the data, whether it be by deal or one big pot.

Ms. Berman said she will work on that report but mentioned that for the 9% and 4% tax credit transactions, the report would need to be more project specific.

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.

Shayla Simmons, Deputy 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 10:05 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted,

Carol Ventura
Secretary and Executive Director