

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
August 5, 2020

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Wednesday, August 5, 2020 at 9:00 a.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (as extended by Executive Order 20-53 and as may be further amended or extended).

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

Mr. Rotella stated that (i) the meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for the Committee members, Board of Commissioners (in attendance) and specific RIHousing staff, all callers will be muted during the meeting. 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, Nicole Clement, General Counsel, provided additional information for those participating in the meeting. Ms. Clement stated that (i) pursuant to Executive Order 20-46 (as extended by Executive Order 20-53 and as may be further amended or extended), the meeting was being held via teleconference, (ii) members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and (iii) in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Clement also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff to state their name prior to speaking and to mute the phone when not speaking. Ms. Clement then invited Commissioner 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 9:04 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff (in attendance).

Ms. Ventura then conducted a roll call vote of Commissioners and staff participating in the meeting. Commissioners participating via conference call were: Committee Chairman Orth; Elizabeth Tanner, Director of the Department of Business Regulations, and Maria Barry. Chairman Nicolas P. Retsinas was absent.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer; Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Lisa Primiano, Chief Operating Officer; Eric Shorter, Director of Development; Christine Hunsinger, Assistant Deputy Director External Affairs, Policy & Research; Nicole Clement, General Counsel; Anne Berman, Assistant Director of Development; Michael Liberatore, Senior Development Officer; Eric Alexander, Assistant Director Development/Housing Programs; Michael DiChiaro, Assistant Director of Leased Housing and Rental Services and Asset Management; and Carl Rotella, Director of Information Technology.

The following matters were discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on June 10, 2020

Committee Chairman Orth asked for a motion and a second for the approval of the Credit Committee minutes held on June 10, 2020. A motion was made by Commissioner Tanner and seconded by Commissioner Barry. There being no discussion, Nicole Clement, General Counsel conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

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

VOTED: That the minutes of the Credit Committee Meeting held on June 10, 2020 hereby are approved.

2. Recommendation for Firm Approval of the HOME Investment Partnerships Program and Housing Trust Fund (HTF) Program Funding for Delaine Street Apartments (Providence)

Ms. Ventura then introduced Eric Alexander, Assistant Director of Development/Housing Programs, who presented the request.

Mr. Alexander explained that this recommendation is for firm approval of up to \$2,100,467 in combined HOME Investment Partnerships Program (the “HOME Program”) and Housing Trust Fund Program (the “HTF Program”) funding for Delaine Street Apartments (“Delaine Street Apartments” or the “Development”), a rehabilitation rental project consisting of nine (9) units in three (3) vacant buildings to be developed in the city of Providence by Olneyville Housing Corporation dba One Neighborhood Builders (“ONE/NB”). Delaine Street Apartments received preliminary approval for \$1,246,351 in HOME Program funds and \$854,116 in HTF Program funds from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) in September 2019.

Delaine Street Apartments is comprised of nine (9) units of rental housing in three (3) vacant buildings located at 149, 153 and 155 Delaine Street. Three (3) units will be rented to households not to exceed 30% AMI; six (6) will be rented to households not to exceed 60% AMI. The unit mix includes two (2) one-bedroom units, three (3) two-bedroom units, three (3) three-bedroom units and one (1) four-bedroom unit.

The Development, located on one (1) lot, is owned by ONE/NB. The RIHousing Landbank Program extended a bridge loan to ONE/NB and holds the note and mortgage. Just prior to ONE/NB’s 2011 acquisition, roofs, structures and most framing were newly constructed. Future renovations include reconfiguration to improve functionality and reduce the density from the existing layout of ten (10) apartments to nine (9) apartments. A garage on the site will be demolished to accommodate green space and nine (9) parking spaces.

The total development cost for the project is \$2,202,467. In addition to HOME Program and HTF Program funds, the sources of funding include \$102,000 from the Providence Redevelopment Agency Affordable Housing Trust Fund.

The apportionment of the combined funding will be \$1,246,351 in HOME Program funds and \$854,116 in HTF Program funds.

Finally, Mr. Alexander said that the recommended approval is subject to completion of all items required for closing in accordance with normal underwriting and processing, and HOME Program and HTF Program requirements.

Committee Chairman Orth thanked Mr. Alexander for the presentation and asked for a motion and a second to recommend to the Board of Commissioners the Firm Approval of HOME Investment Partnerships Program and Housing Trust Fund (HTF) Program Funding for Delaine Street Apartments (Providence).

A motion was made by Commissioner Tanner and seconded by Commissioner Barry.

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

As no questions were presented, Committee Chairman Orth asked how long the property has been vacant and if the outstanding principal will be prepaid.

Mr. Alexander responded that the property has been vacant for quite some time. Mr. Shorter explained that ProCap (now known as Community Action Partnership of Providence) was the owner and that during that period the property was vacant for quite some time. The property has a land bank bridge loan with \$70,000 outstanding, and the acquisition cost is \$80,000 which includes carrying costs.

Committee Chairman Orth inquired that since the building has been vacant for a lengthy period, if environmental analyses have been initiated on the site. Mr. Shorter confirmed that roof and environmental surveys have been completed.

Commissioner Barry commented that it's wonderful to see this transaction moving forward as it incorporates some deeply affordable housing along with units at the higher spectrum of 60% AMI.

Nicole Clement, General Counsel, then conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement stated that the recommendation for Firm Approval of HOME Investment Partnerships Program and Housing Trust Fund (HTF) Program Funding for Delaine Street Apartments (Providence) was unanimously approved.

3. Recommendation for Approval of the Proposed 2021 Qualified Allocation Plan (QAP)

Ms. Ventura acknowledged Anne Berman, Assistant Director of Development, who presented the request.

Ms. Berman said that at the June 18, 2020 Board meeting, the Board of Commissioners preliminarily approved a proposed draft and authorized publication of RIHousing’s intent to adopt the 2021 Qualified Allocation Plan (the “2021 QAP”), which governs the allocation of low-income housing tax credits (“LIHTC”). On June 19, 2020, RIHousing published notice of the public hearing and proposed draft of the 2021 QAP on the rulemaking website hosted by the Rhode Island Secretary of State. Additional notices advertising the public hearing were published on RIHousing’s website, in the Providence Journal and Nuevos Horizontes.

A public hearing was held on July 27, 2020 via teleconference, rather than in person, due to the COVID-19 pandemic. One person attended the teleconference. Written comments were received from 5 entities and RIHousing received several verbal comments through a Zoom meeting with The Housing Network.

Ms. Berman then addressed the relevant comments received and the changes proposed to the draft 2021 QAP.

Summary of Sections Changed:

Section I (pages 4 & 5)	Language clarification
Section I (page 7)	Delete a reference no longer needed due to previous changes
Section II (pages 22 & 23)	Clarification
Section III(A)(1) (Page 26)	Provide additional clarity to Developer Capacity Criteria.
Section III (B) Scoring (page 31)	Add criteria for how Extraordinary Conditions will be accounted for in the weighted average total development cost category.
Section III (B) Scoring (page 34)	Increase points for community based non-profit and add criteria for qualification under the category
Section III (B) Scoring (page 36)	Delete proposed points for Broadband Access
Section III (B) Scoring (page 36)	Modify requirement for co-location of supportive services
Section III Negative Points (page 39)	Delete proposed negative points for non-compliance with Utility Benchmarking
Section VII (pages 48 & 56)	Correction to website hyperlinks

The final 2021 QAP, set forth at Attachment C, which attachment was included as part of the August 5, 2020 Credit Committee package, and reflected the changes made to the proposed draft based upon the public comments and some additional clerical errors.

Comment 1

The commenter, SWAP, Inc., provided the following written comments:

1. **Applicants should not be penalized under the Utility Benchmarking Service (UBS) category for failing to sign-up for UBS and/or share the information with RIHousing.**

Specifically, the commenter noted that there are a variety of ways that utility data can be collected, and that accessing data for tenant paid utilities in scattered site properties is far more labor intensive than in single master metered buildings.

Staff reviewed the comment and determined that RIHousing can be more diligent in (i) working with borrowers to collect the UBS information, (ii) monitoring how borrowers are collecting the information and using it to manage their own portfolios, and (iii) seeking access to the project level data to measure how certain energy efficiency technologies are performing in real time.

Therefore, staff agrees with the comment and will remove the negative points for this category. Additionally, staff will develop internal procedures for monitoring compliance, working with borrowers to better understand how the data is being used to proactively manage portfolios and seeking access to the data so that energy efficiency measures can be reviewed for performance.

2. **The commenter suggests that the requirements for market study information are inconsistent.**

The 2021 QAP requires that a third-party market study be submitted only for mixed income proposals. The 2021 QAP does not require an application for a 100% affordable housing proposal to provide a market study as there is inherently less risk in a 100% affordable project. While RIHousing is mindful of the costs associated with a market study early in the development process, one of the Threshold Criteria in the 2021 QAP is marketability. The applicant must provide market information that, intentionally, can be gleaned through informal market research by the developer. The applicant is welcome to submit a formal market study if they so choose.

Therefore, staff does not believe any changes are required to this category of the 2021 QAP. Staff will review each application to ensure that the requested information is consistent with the 2021 QAP.

3. **The commenter is concerned that the additional points for proposals that include a commercial component puts proposals for housing in non-urban communities at a disadvantage.**

Staff has reviewed the comment. The points in this category are part of the Comprehensive Community Development section, which seeks to ensure that housing is well connected to the community in which it is located. Incentivizing mixed-use housing is one of the goals. While these criteria may be more applicable in some communities than others, housing in non-urban communities is typically eligible for the 10 points associated with housing in communities with less than 10% affordable housing.

Therefore, staff does not believe any changes are required to this category of the 2021 QAP.

4. **The commenter seeks clarification regarding 8 points for fully permitted housing.**

Staff reviewed the comment and believes the language clearly states that all three items must be in place in order to receive 8 points: "...for a fully permitted development that has building permits secured AND specifications are at least 75% complete AND architect confirms in writing that the plans and specification can be 100% complete within 30 days AND the application includes a signed schedule of values...."

The commenter furthers states that points should be awarded for design/build projects with a lower percentage of architectural plan completion, which includes a contract with architect for completion in a time frame that meets the goals to move the development forward on an aggressive schedule and includes a schedule of values from a contractor with a guaranteed final contract price that will not exceed application proforma.

Staff has reviewed this comment and notes that RIHousing has had mixed results from design/build contracts, including costly cost overruns due to poorly executed design/build projects and therefore, strongly discourages them and is considering disallowing design/build altogether. Therefore, staff does not recommend this change to the 2021 QAP.

5. **The commenter believes the cost of providing broadband access is prohibitive in scattered site developments and would impact ongoing financial stability of a project.**

This comment is addressed under "Comment 3(3)" below.

Comment 2

The commenter, Valley Affordable and Barbara Sokoloff Associates, provided 2 written comments:

1. **Current LIHTC scoring puts Senior Housing projects at a disadvantage in the LIHTC QAP/Scoring.**

Staff reviewed the comment. The comment is applicable to 2 scoring criteria, the Total Development Cost ("TDC") per unit and the LIHTC per unit. The 2021 QAP uses a weighted average methodology based on type of construction. As smaller units inherently cost less than larger units, the weighted average methodology was vetted with the development community specifically to create parity between smaller units (senior and/or smaller households) and larger units (family households). The two categories account for 20 of 135 points.

Given that (i) 135 total points are available for a wide variety of criteria, (ii) RIHousing receives a wide variety of projects geared to various populations and (iii) it has been determined that new housing units are required across multiple income bands and

demographic groups in RI, staff has determined that no change to the scoring is required.

2. **Effective Penalty for using State funds. The commenter suggests that the point category for minimizing RIHousing or State Housing Grant Funds be eliminated. It is not a point category in similar states and commenter feels it is inappropriate for a project to be penalized because of the sources of capital.**

Staff reviewed the comment. The State of Rhode Island has limited grant sources for the development of affordable housing. RIHousing is mindful of the cost of affordable housing and is focused on cost containment. Therefore, in order to incentivize developers to focus on cost containment and the limited pool of state grant funds, staff feels it is appropriate to incentivize developers to limit their use of state grant dollars. Staff has determined that no change to the scoring is required.

Comment 3

The commenter, The Housing Network (“THN”), provided the following verbal comments during a video conferencing call:

1. **Ensure that the points allocated toward solar include “or other renewables.”**

Staff reviewed this comment and determined that the term “or other renewables” is already included in the bullet points under the larger description of the point category. Therefore, staff believes no change to this category is required.

2. **Provide clarity in the Threshold Criteria section of the QAP related to Financial Feasibility. Is it project specific or does it also include the developer’s balance sheet?**

Staff reviewed this comment and determined that the Financial Feasibility section clearly focuses on project specific financial criteria such as debt service coverage, balanced sources and uses and assessment of real estate taxes. However, the Developer Capacity Section will be updated to clearly require a review of the financial capacity of the developer.

In addition, staff is preparing a training for developers to review the 2021 QAP and assist developers in strengthening the quality of their applications.

3. **The commenter expressed concern about the negative points for UBS, which was addressed in Comment 1(5) above (submitted by SWAP, Inc.). Regarding the new scoring category “free broadband access” for all residents, is it applicable to all units or just common spaces? Is it reasonable and fair to score a single building the same as scattered sites since it more expensive to provide free access in multiple buildings?**

Staff has reviewed this comment and determined that given recent events and the increase in virtual learning, provision of free broadband or internet access to all is vitally important. However, given that the same comment was received by 3 different organizations, staff has determined that additional research should be undertaken to better assess initial and on-going costs before incorporating into the 2021 QAP.

Comment 4

The commenter, Omni Development Corporation and the Wingate Companies, provided 3 written comments:

1. **Minimum point threshold for HUD Foreclosure and Community Impact Set Aside.** The commenter would like to see a fixed-point threshold requirement rather than the proposed point threshold, which is based on an average of all scored proposals for 2 reasons:
 - a. **As the named developer of Barbara Jordan 2 (“BJ2”) based on an RFP that had different criteria than the 2021 QAP.**
 - b. **BJ2 faces deal constraints that other proposals eligible for the 10 points associated with communities without 10% affordable housing, do not face.**

Staff has reviewed these comments and determined that because up to 40% of the annual small state allocation is being set aside for specific criteria for which it is probable BJ2 will qualify, it is incumbent upon the developer to submit a competitive application. The point category changes from 2020 to 2021 are nominal so therefore the commenter was aware of the point categories when they submitted their response to the BJ2 Request for Proposals (“RFP”). Applicant scores under the LIHTC RFP vary year to year. Therefore, it is impossible to provide a “fixed point threshold” since it could be much higher or lower than the cumulative 2021 scores. Requiring the set aside applicant to score at least as high as the average, ensures that the set aside applicant is submitting a competitive application. It would be unfair to applicants applying for the remaining small state allocation if the set aside applicant submitted an application with a score that was significantly lower than the other applications. No change is recommended.

2. **The commenter is seeking Clarification on the Total Development Cost Cap.**

Staff reviewed the comment, which seeks clarification between the absolute cost cap of \$375,000 per unit and the weighted average cost cap, which takes into consideration extraordinary conditions such as prevailing wages (as well as environmental remediation, demolition on non-contributing historic structures and the installation of on-site water treatment systems in rural locations) (the “Extraordinary Conditions”).

The cost cap of \$375,000 per unit for gross unweighted total development cost is absolute. While the 2021 QAP does allow for Extraordinary Conditions, it does not elaborate on how the costs associated with the Extraordinary Conditions should be factored into the weighted average score. Therefore, staff will amend the 2021 QAP to define how the costs for the Extraordinary Conditions should be factored into the scoring.

Comment 5

The commenter, NeighborWorks Blackstone River Valley, provided the following written comments.

1. **Building type weighting calculations.** The commenter is supportive of the 5 building types used to calculate a weighted average score for total development cost and LIHTC per units. The commenter is seeking clarification on how the scoring was calculated.

Subsequent to receiving the written comments, staff followed up with a phone conversation to breakdown how the calculation is implemented. The commenter provided a follow-up email confirming his understanding and withdrawing the comment.

2. **Community Based Non-profit.** The 2021 QAP awards 1 point for a community-based non-profit with a track record of community engagement and has operated housing in the neighborhood. The commenter suggests adding additional criteria such as requiring the inclusion of low-income board members, incorporation in the State of Rhode Island, and Internal Revenue Service (“IRS”) 501(c)3 status. The commenter also suggests that non-profit sponsors should receive 5 points rather than 1 point under this criterion.

Staff has reviewed this comment. IRS 501(c)3 status is already a requirement under the criteria but will be clarified. Staff does agree that requiring the organization to be incorporated in the State of Rhode Island is important. Given the mission focus of these organizations, staff agrees that this category should be worth 2 additional points for a total of 3 points, rather than 1 point. Staff suggests adding 2 additional points to this criterion rather than the 4 points the commenter was requesting.

3. **Space for co-location of supportive services.** The commenter agrees that the co-location of services is important, however suggests that if it is another facility owned by the sponsor and is within walking distance, it should be eligible for the points.

Staff has reviewed the comment and agrees that the criteria should be amended to include either provision of services on site OR in another facility owned by the sponsor, or an affiliate, within 1/2 mile of the proposed project.

4. **Free Broadband Service to residents.** The commenter believes the cost of providing this service is prohibitive in scattered site developments and would impact ongoing financial stability of a project.

This comment is addressed under “Comment 3(3)” above.

5. **Applicants should not be penalized for failing to sign-up for UBS and/or share the information with RIHousing.**

This comment is addressed under “Comment 1(1)” above.

Comment 6

The commenter, ONE Neighborhood Builders, provided the following written comments via email:

1. **Non-profit set-aside. The spirit of this policy, I believe, is to support local, mission-focused, community-based organizations. The tax status alone is insufficient.**

This comment is addressed in Comment 5(2) above.

2. **Scoring – Consider allocating points for workforce housing (up to 120% AMI), that while restricted are effectively market-rate.**

Staff reviewed this comment. Currently, any unit not seeking LIHTC is considered market rate and is eligible for the points. No change is required.

3. **Scoring – co-location of supportive services. There is no need to develop space for the provision of services. Providers prefer home-based delivery of care or having the clients meet at their clinic. Additionally, many developments have existing nearby spaces that can be used for service delivery as needed.**

This comment is addressed in Comment 5(3) above.

The 2021 QAP will become effective upon (i) final approval by the Board of Commissioners; (ii) approval by the Governor; and (iii) 20 days after filing with the Secretary of State.

Finally, Ms. Berman said that staff recommends that the Committee recommend to the Board of Commissioners the approval to adopt the 2021 QAP and recommending the 2021 QAP for final approval and endorsement by the Governor.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners the Approval of the Proposed 2021 Qualified Allocation Plan (QAP).

A motion was made by Commissioner Barry and seconded by Commissioner Tanner.

A brief discussion followed with Commissioner Tanner stating that there is a new state initiative regarding broadband connection. She graciously offered her and the Department of Business Regulations' assistance with the matter.

Committee Chairman Orth asked if RIHousing sets a provision for wiring for broadband. Ms. Berman affirmed that the provision is part of the Design and Construction guidelines and most Developers routinely provide free broadband for community spaces and all the units are prewired for the service. The service for the individual units is the responsibility of the tenant.

Committee Chairman Orth speculated that as the units are wired for the connection to wi-fi, it might be beneficial to offer a reduction for the actual service. Commissioner Barry also contemplated that it would be worthwhile to examine if the costs could be paid out the tax credits allocation as an investment in wi-fi. Ms. Berman clarified that the wiring for services is not the issue, it is a problem for scattered site developments that incorporate twenty (20) separate buildings, each with numerous units, and trying to negotiate that price is the problem. Committee

Chairman Orth also suggested reviewing HUD’s Section 8 HAP contract to see if HUD is willing to build additional subsidy into the resident’s rent.

The Committee also reviewed the HUD Foreclosure and Community Impact set aside and acknowledged that RIHousing has set the threshold to ensure that a strong application is presented. Committee Chairman Orth recommended that the application score at least as high as the third (3) highest applicant.

Commissioner Barry commented that it appears that senior housing is at a disadvantage. Ms. Berman stated that the application scoring has changed to a total development cost calculation that has an inherent disconnect for one-bedroom units. A development catering to 3-4-bedroom units cost more to construct. Staff is open to reviewing and looking at better options to calculate the scoring.

Nicole Clement, General Counsel, next conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement then stated that the recommendation for approval of the Proposed 2021 Qualified Allocation Plan (QAP) was unanimously approved.

4. Recommendation for Preliminary Approval of Financing for Pine View Apartments (Exeter)

Mr. Shorter introduced Michael Liberatore, Senior Real Estate Development Officer, who gave the presentation.

Mr. Liberatore said that this request is for preliminary approval of tax-exempt financing in an amount not to exceed \$7,000,000 for Pine View Apartments (“PVA” or the “Development”) and a Capital Magnet Fund (“CMF”) loan of \$625,000. Women’s Development Corporation (“WDC” or the “Developer”) proposes the new construction of 40 affordable apartments located in Exeter, comprised of 5 one-bedroom and 35 two-bedroom residences.

The site is a 7.6-acre parcel of land nestled on 2 sides by preserved wooded wetlands on South County Trail (Rt. 2) and immediately adjacent to the Oak Harbor Village commercial center. Of the 40 units, 3 units will be restricted to 30% of area median income (“AMI”), 5 units will be restricted to 50% AMI and 32 will be restricted to 60% of AMI. There will be 8 project-based vouchers (“PBV”) provided by the Coventry Housing Authority. The 40 units will increase the percentage of affordable housing in the Town of Exeter from 2.4% of all households to nearly 4%.

Jade Investment Group, Inc. (“JIG”) was the original land developer and received master plan approval in 2014 and preliminary approval in 2016 from the Town of Exeter for a project with 75% market-rate and 25% affordable units. In 2018, WDC entered into a purchase and sale agreement with JIG and received approval from the Town of Exeter to modify the Development to 100% affordable. The acquisition price, \$1,440,000, includes the land plus the seller’s cost for the land entitlements and initial site clearing/site work.

Under the Rhode Island Housing and Mortgage Financing Corporation’s (“RIHousing”) Land Bank Program, RIHousing took title to the property in June of this year for the appraised value of \$900,000. WDC has an agreement with JIG for the balance of the acquisition price that is subject to certain approvals and the availability of funds. JIG will retain ownership of the abutting parcel with a permanent easement in place to provide PVA with access to JIG’s public well. Once the U.S. Department of Housing and Urban Development (“HUD”) required environmental review is complete in early September, WDC will take title to the property through a RIHousing Land Bank bridge loan.

The project is a planned residential community consisting of 34,700 square feet of total living area spread across 10 two-story wood-framed buildings. Each building contains 4 units arranged in pairs, so that each pair shares storage and laundry facilities. The individual living units have an efficient and simple plan, resulting in one-bedroom and two-bedroom units of 615 to 760 square feet. A minimum of 2 units (5%) of the proposed 40 units at PVA will be designed to be handicapped accessible. A minimum of 2 parking spaces are available for each apartment. The original design by JIG was intended for condominium resale and included 2 septic systems for each building.

Following preliminary approval, WDC will engage a geotechnical study and consolidate the septic design and underground fire suppression cisterns to reduce the construction and maintenance costs.

WDC is proposing to finance the transaction with funds from the following sources: (i) a tax-exempt construction to permanent loan, (ii) equity generated from the allocation of 4% low-income housing tax credits (“LIHTC”), (iii) a deferred developer fee, (iv) a Building Homes Rhode Island (“BHRI”) loan from the State of Rhode Island Office of Community Development Housing Resources Commission (“HRC”), (v) a HOME Investment Partnership Program (“HOME”) loan, (vi) a Housing Trust Fund Program (“HTF”) loan, and (vii) a CMF loan. WDC has received 2 letters of intent to purchase the LIHTC from Red Stone Equity Partners and the National Equity Fund in the range of \$0.92 to \$0.956 per tax credit, respectively.

During construction, RIHousing will issue tax-exempt bonds in an amount not to exceed \$7,000,000, which includes both the permanent loan and a bridge loan to assist in (i) meeting the 50% test needed to be eligible to generate 4% LIHTC on all units, and (ii) to bridge the LIHTC equity in order to increase the pricing of the tax credits. A recourse guarantee for the bridge loan will be required. The permanent loan will be amortized over 40 years.

Mr. Liberatore said that staff seeks preliminary approval of a tax-exempt loan in an amount of up to \$7,000,000 of which \$2,150,000 will remain as permanent debt, and a CMF loan of \$625,000.

Committee Chairman Orth thanked Mr. Liberatore for the presentation and asked for a motion and a second to recommend to the Board of Commissioners the Preliminary Approval of Financing for Pine View Apartments (Exeter).

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

Committee Chairman Orth noted that a good portion of the financing is from BHRI funds and wanted to make sure that the total required funding sources would be available at closing.

Mr. Shorter commented that he will engage in a conversation with Michael Tondra of the Office of Housing and Community Development to acquire that information.

Nicole Clement, General Counsel, then conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the preliminary approval of Financing for Pine View Apartments (Exeter) was unanimously approved.

1. Discussion:

a. Pipeline Report

Eric Shorter, Director of Development, proceeded to update the Committee on the Pipeline report. Mr. Shorter announced that there are ten (10) deals in the pipeline in various stages of approval. In the preliminary approval stage, there are five (5) deals for a total of 348 proposed affordable housing units. In the firm approval of financing category, staff has four (4) deals totaling 377 affordable units that staff is working to close shortly. A total of 2500 units are presently under construction for 26 projects.

Mr. Shorter then introduced Anne Berman, Assistant Director of Development, who provided an update on Lippitt Mill, one of the stalled projects in the pipeline.

Ms. Berman pointed out that Lippitt Mill is a 65-unit multifamily affordable housing project located at 825 Main Street in West Warwick. The project closed in December 29, 2017 with Citizens Bank, N.A (“Citizens”) as the construction lender with a forward commitment from Freddie Mac for the permanent loan.

Under the back-to-back structure, Citizens as the lender made a direct loan to RIHousing and RIHousing in turn advanced the loan proceeds to the borrower. The advantage to the borrower includes lower cost of financing and RIHousing bears no financial risk in this deal.

Next, Ms. Berman mentioned that other funding sources include LIHTC, federal and state historic tax credits and RI Rebuild Credits, as well as sponsor equity. Citizens allowed a design build

structure for construction rather than commissioning a standard full set of 100% completed drawings and specifications. The current cost overruns, estimated to be approximately \$5.1 million, are due primarily to structural deficiencies and historic compliance.

Citizens has extended the note three (3) times (including as recently as July 29) and given the borrower until August 28, 2020 to close on all their supplemental financing. Citizens has also issued four (4) Reservation of Rights Letters to preserve their ability to foreclose

Continuing, Ms. Berman said that the borrowers are working on a supplemental closing to close the funding gap and complete the project. Boston Capital will purchase the LIHTC (replacing existing investor, which is related to the current general partner) and the Federal Historic Tax Credits and the number of affordable units will increase to 45.

A partnership between BlueHub and a Providence based firm, Tax Credit Finance, will purchase the state historic tax credits and the RI Rebuild Credits, and the general partner will inject an additional \$1.7 million of capital to balance budget and defer all fees. Collectively, the sponsors anticipate providing a long-term loan to the borrower to close any remaining construction budget gaps, which is currently projected to total \$5.12 million. Additionally, the developer fee and affiliate construction management fees will also be deferred.

Next, Ms. Berman noted that there are several bond related issues that staff is monitoring. Staff has determined that the current contemplated changes to the bond documents to accommodate the supplemental closing do not require board approval. The original note was for two (2) years and was due December 2019; the maximum allowable extension under the IRS tax-exempt regulations is 12 months effectively to 12/29/2020. The note can't be extended beyond that date without triggering a reissuance. If the project does not place in service ("PIS") before 12/29/2020 and there is a re-issuance, the project will fail to meet the 50% test and therefore will no longer be eligible for LIHTCs.

If there is a reissuance and the transfer of the limited partner occurs within 6 months of that reissuance, new volume cap would need to be reserved internally and allocated to the Governmental Note, then the reissued bonds would likely be treated as an acquisition financing, rather than a refunding. In such event, new volume cap would need to be reserved internally and allocated to the Governmental Note at the time of its reissuance, if any, to preserve the tax-exempt status of the note. The amount of new volume cap would be equal to the permanent loan amount which is approximately \$3.8 million.

Lastly, Ms. Berman stated that the law firm of Hawkins Delafield & Wood LLC ("Bond Counsel") has confirmed that should Citizens foreclose; such a foreclosure would have no impact on RIHousing's credit rating since the loan is not recourse to RIHousing. Likewise, Bond Counsel does not believe that there is a continuing disclosure requirement under its existing bond resolutions. Citizens has given the borrower until August 28, 2020 to work through the remaining issues and close on the new financing. RIHousing is working closely with Citizens to monitor progress and address issues as they arrive. At completion, if able to place in service, First Realty Management ("FRM") will be the property manager. FRM has successfully managed LIHTCs and mix-income deals in RI for ONE Neighborhood Builders and WEHDC.

Committee Chairman Orth commented that it is unfortunate that the project has stalled but is

hopeful that the parties can resolve the issue and proceed to closing.

In closing, Mr. Shorter said that staff is working with developers to advance additional projects forward and noted that Festival Fields is now moving ahead.

There were no votes taken regarding this item.

b. Land Bank Update

Committee Chairman Orth announced that at his request, he asked staff for an update on the Land Bank Program, however a monthly report is not required, only when there's activity.

Mr. Shorter then quickly and concisely provided a status update. Mr. Shorter mentioned that presently there are four (4) properties with a value of \$1.1 million in the bank. Those properties are in Tiverton, East Greenwich, Providence and Exeter. Delaine Street Apartments is one of those properties. There was another project in the pipeline in Pawtucket, however, staff did not approve that transaction.

There were no votes taken regarding this item.

c. Results from Operations for Period ending 3/31/20 and 6/30/20

Ms. Ventura introduced Kara Lachapelle, Chief Financial Officer, who gave an overview of the Corporation's operations fiscal year end results and loan loss reserves. Ms. Lachapelle emphasized that the figures are in draft form until the audit review process is completed.

Ms. Lachapelle informed the Committee that despite the pandemic, RIHousing is ahead of budget and finished the year strong. Revenues came in ahead of budget in part from increased loans sales due to the disruption in the bond market. Expenses were under budget, especially in the last quarter with decreases in spending on seminars and training, advertising, legal and other projects.

Ms. Lachapelle then announced that in BoardDocs staff has uploaded the ratios that Standard and Poors (S&P) uses for RIHousing's bond rating. The first line of the statistics is non-performing assets (delinquent loans on the balance sheet) compared to total. This line shows the biggest change from 3/31/20 to 6/30/20. It is an increase from 1.61% to 2.49%, a direct result of the forbearance requests staff has received from customers. It's still below the maximum recommended by S&P but staff continues to monitor this closely. The next ratio is equity to assets. Ms. Lachapelle noted that it is below the S&P target and RIHousing continues to try to improve this ratio. That ratio is influenced by the number of loans being added to the balance sheet. For example, staff added one (1) large multifamily loan for \$40 million this year (Festival Fields), which significantly increases assets but does not increase equity. The next ratio is return on assets, which is tied to net income and has improved significantly and is now above the S&P recommended level.

Lastly, Ms. Lachapelle said that loans to assets tests liquidity and the Corporation is below the maximum recommended ratio and continues to improve as staff securitizes loans making them more liquid.

Committee Chairman Orth referenced that the operational expenses came in under budget and asked if reduced spending is projected for the fourth quarter. Ms. Lachapelle responded that she anticipates those expenses to be higher this quarter however; staff continues to manage expenses. RIHousing is not fully opened, therefore the Corporation will continue to see cost savings. Staff expects to kick off some needed projects such as the roof renovations that was delayed from the previous year. Finance has been able to successfully manage cash flow during the COVID-19 pandemic and has continued to forward obligated principal and interest payments on Ginnie Mae loans. Those expenditures will be reimbursed to RIHousing as it's based on a timing issue. As always, staff continuously monitors assets and liquidity.

Commissioner Tanner left the call at this point of the meeting, at approximately 10:01 am.

There were no votes taken regarding this item.

d. Agency Loan Loss Reserves

Ms. Lachapelle also apprised the Credit Committee on RIHousing's loan loss reserves. She said that staff wanted to review the loan loss reserve because it is a significant estimate on the balance sheet and the auditors will be very involved in the analysis. RIHousing's year-end numbers currently include an increase of \$4.5 million in reserve.

Ms. Lachapelle next noted that on the single-family side, staff looks at historical losses in the portfolio, current delinquency and market factors such as unemployment and real estate values in the state. The Corporation's losses for the last few years have been very low since most of the portfolio has FHA insurance and market values have been strong. The highest year of losses was \$11 million in 2013.

For multifamily developments, the Asset Management department prepares a watch list of properties with risk factors such as low debt service coverage ratios, requests for reserves or delinquency. Staff then analyze each property using a discounted cash flow to determine fair value and compare that to their outstanding loans. As of June 30, 2020, RIHousing had no delinquent multifamily loans.

Finally, Ms. Lachapelle stated that the true impact of the pandemic is not yet evident in the portfolio, so the methodologies staff used in the past for calculating the loan loss reserve may not be a true reflection of potential losses. Finance works with the auditors to ensure the appropriate level of reserves. This may result in a change to the year-end numbers.

Committee Chairman Orth noted the increase in loan loss reserves and asked if the additional amount is enough coverage. Ms. Lachapelle confirmed that the increase should be more than adequate. Committee Chairman Orth remarked that in 2013 the loan loss amount was \$11 million, therefore having four (4) times the reserves makes sense. Commissioner Orth considered that a good strategy.

Commissioner Barry suggested diligent monitoring of the situation and the economic markets. Ms. Lachapelle agreed with the recommendation.

There were no votes taken regarding this item.

2. 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 Barry and seconded by Committee Chairman Orth to adjourn the meeting.

Ms. Clement then conducted a roll call vote of the Commissioners in response to a motion for adjournment. The Commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Barry	Aye

The meeting was adjourned at 10:07 am.

In closing, Committee Chairman Orth thanked everyone for their efforts and the presentations. Commissioner Barry also expressed her appreciation to staff.

Respectfully submitted

Carol Ventura, Secretary and Executive
Director