

**Rhode Island Housing and Mortgage Finance Corporation**  
**Minutes of the Meeting of the Credit Committee**  
**December 7, 2022**

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, December 7, 2022 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 the meeting was being held in person with all members of the Credit Committee appearing in person and specific RIHousing staff participating via teleconference. Members of the public were invited to access the meeting in person or via teleconference according to their preference. Additionally, members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Myers also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff member state their name prior to speaking for the benefit of listeners and to mute the phone when not speaking. She then invited Committee Chairman Orth to call the meeting to order.

A quorum being present, Committee Chairman Orth introduced himself and officially called the meeting to order at approximately 9:30 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.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director Real Estate Development; Michael DiChiaro, Director, Leased Housing and Rental Services; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on October 12, 2022

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on October 12, 2022. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

There being no discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on October 12, 2022. The Commissioners unanimously voted to approve the minutes.

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

VOTED: That the minutes of the Credit Committee Meeting held on October 12, 2022, are hereby approved.

2. Recommendation for Approval of Extension and Amendment of Revolving Construction Loan for S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY)

Committee Chairman Orth announced that Dean Harrison, Assistant Director Real Estate Development would give the presentation.

Mr. Harrison began by saying that the request was for authorization for RIHousing to: (i) extend the S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) (“SWAP”) existing revolving construction loan facility (the “Master Construction Loan Facility”) for an additional 36-month term; (ii) increase the borrowing limit under the Master Construction Loan Facility to \$2,500,000; and (iii) amend the household income limit under the Master Construction Loan Facility to allow for an income limit up to 120% of area median income (“AMI”) for potential homebuyers (collectively, the “Extension Request”). Approval of the Extension Request will support the development and rehabilitation of new single and two-family homes in South Providence and its surrounding neighborhoods, as well as other opportunities as they arise.

The Master Construction Loan Facility in the amount of \$2,000,000 was initially approved by the Board of Commissioners in February 2014 and has been extended twice; once in November 2017 and again in December 2019. To date, SWAP has entered into seven master construction loan facilities with RIHousing. Since 1999, when SWAP and RIHousing entered into the first Master Construction Loan Facility under this program and its predecessor, the Demonstration Home Development and Homeownership Loan Program, SWAP has borrowed more than \$14,600,000 and built approximately 125 homes for first-time homebuyers, including approximately 28 duplexes.

Currently, SWAP has four homes under construction; two of which are nearing construction completion and have an executed purchase and sale agreement. SWAP’s current outstanding loan balance is approximately \$602,000. SWAP uses a combination of construction financing, Building Homes Rhode Island (“BHRI”) funds, City of Providence HOME funds, and similar subsidy funds to make these homes affordable for first-time homebuyers. Historically, the availability of these subsidies has not been consistent, which can impact how many homes SWAP can build at any given time.

Borrowing authority under the Master Construction Loan Facility expired in October 2022; six months prior to the expiration date of April 2023. Given SWAP’s past success, the Development

Division is recommending that the existing Master Construction Loan Facility be extended to fund SWAP's homeownership development projects for three additional years. SWAP has identified a sufficient number of properties to construct 15 new homes containing 25 units over the next 24 months and anticipates additional development in successive years as new opportunities present themselves.

The Development Division is further recommending that the borrowing limit under the Master Construction Loan Facility be increased from \$2,000,000 to \$2,500,000 to address recent increases in construction costs and the effect on overall development costs. With this increased borrowing limit, SWAP will be able to develop up to 14 homes and/or condominiums at any time; 7 of which must be pre-sold to qualified buyers while up to 7 homes can be built on a speculative basis.

The Development Division is further recommending an amendment to the Master Construction Loan Facility to allow sales to households with incomes up to 120% of AMI. SWAP's goal is to sell these homes to first-time low and moderate-income homebuyers with incomes at or below 80% of AMI. Given rising costs and interest rates, that has become more challenging. SWAP's current pipeline assumes sales prices based on 100% of AMI with the understanding that in order to lower the sales price, additional subsidies will likely be needed. The Master Construction Loan Facility currently allows the sale of homes to buyers with incomes up to 115% of AMI. SWAP has requested that this income limit be increased to 120% of AMI; which is consistent with the program guidelines for BHRI, the Acquisition Revitalization Program and the Housing Investment Fund.

The interest rate for each individual loan under the Master Construction Loan Facility will be set at closing based on the 2-Year Treasury rate plus 0.75%, with an initial rate floor of 4.00% and cap of 7.00%. SWAP will pay interest monthly on the outstanding principal balance on each individual loan, to be repaid at unit sale. The total outstanding loan balance cannot exceed \$2,500,000 at any given time. All other terms and conditions contained in the current Master Construction Loan Agreement will remain the same.

Finally, Mr. Harrison said that staff recommends: (i) a 36-month extension of the existing revolving Master Construction Loan Facility; (ii) an increase in the Master Construction Loan Facility borrowing limit to \$2,500,000; and (iii) an amendment of the income limit under the Master Construction Loan Facility to allow homebuyers with household incomes up to 120% of AMI, subject to certain conditions as set forth therein.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Extension and Amendment of Revolving Construction Loan for S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY).

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

A brief discussion followed with Committee Chairman Orth asking if other organizations utilize the Master Construction Loan program. Ms. Berman replied that the program has and is utilized by other partners. One Neighborhood Builders, Church Community Housing and Pawtucket Central Falls Development Corporation have taken advantage of the program.

Ms. Ventura further explained that the CDCs have done a great job fostering relationships with Credit Unions to facilitate the construction loan process. Ms. Ventura stated that it's an important program that is also very successful.

Mr. Comer also affirmed that a good number of CDCs use the program.

Committee Chairman Orth acknowledged that it's a fabulous program. He did mention that he felt that the acquisition cost for two family dwellings appears to be high.

Ms. Berman replied that parties are paying a higher acquisitions cost because land is at premium. Staff has observed that the smaller lot sizes are more expensive.

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

Ms. Myers then officially stated that the recommendation for Approval of Extension and Amendment of Revolving Construction Loan for S.W.A.P., INC. (STOP WASTING ABANDONED PROPERTY) was unanimously approved.

3. Recommendation for Firm Approval of Acquisition Financing for Dakota Properties, Inc. (Westerly)

Committee Chairman Orth again asked Dean Harrison to proceed with the presentation.

Ms. Berman prefaced the presentation by announcing a change to the request. She remarked that the write-up specified an interest rate but the final interest rate will be subject to market conditions and determined prior to closing using a spread to U.S. Treasury.

Mr. Harrison then proceeded with the presentation. He said that the request was for firm approval of a RIHousing taxable loan in an amount not to exceed \$800,000 for the acquisition of land in Westerly, Rhode Island to facilitate the development of 72 units of housing to be known as Southpoint Commons (hereinafter referred to as the "Development"). Dakota Properties, Inc. is the developer (the "Developer").

The Developer has entered into a purchase and sales agreement to purchase 7.5 acres of land near the intersection of Route 1 (also known as Main Street) and Franklin Street in Westerly (the "Property"). The land is bounded on Franklin Street by residential homes and on Route 1 by commercial uses. The entrance to the Development will be off Franklin Street. The Development will consist of two three-story garden style buildings and a community building. There will be a mix of one-, two-, and three-bedroom units. As currently projected, there will be 72 units in the Development; 57 of which will be affordable to households between 30% - 60% of area median income and the remaining 15 units will be market rate.

The Property was granted master plan approval for 53 units pursuant to a past Planning Board decision which is still valid. The Developer is seeking further approval to construct an additional 19 units. The Town Planner has confirmed that the Developer is scheduled to meet with the Planning Board in December and January to request a combined revised Master and Preliminary approval. The Property is currently zoned High Density Residential 6. The Town Planner confirmed that this Development proposal is supported by the Town.

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 Acquisition Financing for Dakota Properties, Inc. (Westerly).

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.

Commissioner Designee Cabral noted that the development proposes the construction of 72 units, however the town only approved 53 units. She wanted to know if there are any issues with the developer requesting permission for the additional units. Ms. Berman remarked that the developer has facilitated a friendly and inclusive process with the community and does not expect any opposition.

Committee Chairman Orth inquired about the takeout strategy for the financing. Ms. Berman responded that it's a 12 month loan that is collateralized by the land and 80% LTV. By lowering the LTV to 80% it allows RIHousing an adequate cushion. The location is fantastic and if Dakota Partners cannot close on the deal, staff will be able to position another entity for the project.

Committee Chairman Orth wondered if the legal documentation for the process is standardized and if those are processed inhouse. Ms. Berman explained that external counsel is producing the documents. RIHousing has a roster of legal firms on retainer and most of the expenses are reasonable, usually less than \$5,000.

Committee Chairman Orth asked if it makes sense to do the legal work inhouse.

Corinne Myers, General Counsel explained that staff has explored that option and would have to do a cost benefit analysis to determine the best path for the organization. Many of the documents are standardized and the Legal department has just been restaffed. Presently, RIHousing has a good success rate with external counselors that are competitive and provide expertise and excellent value for the services.

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

Ms. Myers then officially stated that the recommendation for Firm Approval of Acquisition Financing for Dakota Properties, Inc. (Westerly) was unanimously approved with the modification that the interest rate will be determined prior to closing using a spread to U.S. Treasury.

4. Recommendation for Approval of Transfer of Physical Assets (TPA) for Project Renaissance (Providence)

Committee Chairman Orth announced that Dean Harrison, Assistant Director Real Estate Development would also present the request.

Mr. Harrison began by noting that the request is an administrative action. Mr. Harrison then said that request was for: (i) approval of the transfer of the limited partnership interest in Project Renaissance (the "Development"), a 30-unit affordable housing development for families located at various

properties in the Smith Hill neighborhood of Providence, and (ii) approval of the subsequent sale of the Development.

Under RIHousing Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (as amended, the “TPA Regulations”), project owners must obtain RIHousing’s approval and comply with RIHousing’s administrative procedures for the transfer of physical assets and prepayment of the mortgage before conveying, assigning, or transferring any ownership interest in a multifamily housing project.

The owner of the Development is Goddard Realty Limited Partnership. The current general partner of the development is Goddard Development Corporation, a Rhode Island corporation that holds a .01% interest in the partnership. The two current investor limited partners in the Development are Enterprise Housing Partners VII Limited Partnership and Enterprise Housing Partners III Limited Partnership (collectively, the “Transferor”). The Transferor holds a 99.99% limited partnership interest. The Transferor intends to withdraw and transfer its partnership interests to Smith Hill Community Development Corporation (the “Transferee” or “SHCDC”). SHCDC is the sole shareholder of the general partner.

The Transferee will assume all existing obligations encumbering the Development. The initial compliance period ended in 2014, and the financial benefits of the tax credits and depreciation losses have been fully realized by the Transferor.

The current property manager is Dimeo Properties, Inc. (“Dimeo”). No change in the management agent is contemplated.

Subsequent to the transfer of the limited partnership interest, SHCDC and its affiliated entities will own the Development. SHCDC has notified RIHousing and other community partners that once the transfer is completed, it will be dissolving and selling its assets, including Project Renaissance. SHCDC has entered into an agreement to sell the Development to Dimeo or a related party. Dimeo is a seasoned developer and property management firm with both affordable and market rate properties in its portfolio. Dimeo is the co-general partner with SHCDC on another low-income housing tax credit development in Rhode Island. The sale of the Development to Dimeo has been reviewed by both the Development and the Leased Housing Divisions who have determined that this transfer will be beneficial to the residents of the Development and the long-term prospects for the Development itself.

Committee Chairman Orth thanked Mr. Harrison for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets (TPA) for Project Renaissance (Providence).

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.

Commissioner Designee Carol noted the ownership structure and asked for clarification that at the end of the transaction 99.99% of interest would remain with Smith Hill CDC and .01% would be owned by Goddard. Ms. Berman confirmed that fact and said the structure is typical for LIHTC transactions.

Ms. Ventura stated that this transaction is a great opportunity for Dimeo. Dimeo Properties has experience in affordable housing development and property management services. The proposed transaction is beneficial for both organizations.

Committee Chairman Orth asked if staff has encountered other situations of CDCs struggling such as Smith Hill CDC or if it's an isolated case. Ms. Berman and Ms. Ventura mentioned that a few other CDCs has disbanded, but Smith Hill has been reorganizing for a few years and it's fortunate that there are excellent partners to run the development. Dimeo Partners knows the organization and the housing industry and will preserve the affordability of the development.

Committee Chairman Orth also wanted to know if the new owner will assume the RIHousing loan. Ms. Berman verified that fact.

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

Ms. Myers then officially stated that the recommendation for Approval of Transfer of Physical Assets (TPA) for Project Renaissance (Providence) was unanimously approved.

5. Discussion:
  - a. Pipeline Report

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

Ms. Berman began by saying that the pipeline is quite robust. Staff currently has 30 projects in various stages of closings with four (4) slated to close prior to yearend.

Ms. Berman was pleased to report that the Consolidated Application was released and that 72 applications are expected for review. Given the number of applications expected, staff is laser focused on reviewing threshold criteria to ensure that RIHousing is funding transactions that are viable and can move forward in a timely fashion.

Regarding construction progress, developers have not experienced any significant delays however, staff has noted some concerns with procurement of water systems and fire pump equipment. Developers are aware of the situation and are preparing and stockpiling products well in advance of construction.

Commissioner Designee Cabral acknowledged the hefty number of expected applications and wanted to know if it's a gradual submission.

Ms. Berman explained that staff encouraged applicants to submit their applications early. Presently, staff has already received one application. If developers submit more than one application, staff plans to combine reviews to ascertain threshold criteria, developer capacity, readiness to proceed options, and any roadblocks that might impede the process.

Committee Chairman Orth inquired if there's a cap on the 9% credits. Mr. Comer responded that some projects do have limits on the credits but others do not. Per QAP guidelines, no project can receive more than 40% of annual allocation to the state. The challenge is determining where prices fit into the financial structure. Essentially, it's similar to completing a puzzle. Nevertheless, it's an exciting

endeavour and a unique opportunity for facilitating affordable housing. It will be a lot of work, but staff has a solid plan in place to process the applications.

Committee Chairman Orth asked if there are deadlines on the awards. Mr. Comer replied that it depends on the number of applications received. As RIHousing has removed the requirement for formal presentations, the process will move in a more time manner than previous years.

Ms. Berman clarified that the goal is to bring the awards to the Committee in May. It's an aggressive schedule, but she expects that it will be achievable.

There were no votes taken regarding this item.

#### b. Surplus Cash Discussion

Committee Chairman Orth invited Ms. Berman to proceed with the update on surplus cash.

Ms. Berman commenced by explaining that several years ago staff began bringing to the Committee transactions refinancing existing LIHTC deals, primarily, deals without the benefit of an operating subsidy or HAP contracts. Those deals usually contain rollover debt, often large loans exceeding \$2MM. As part of the approval of those deals, RIHousing was asked to modify the amount of surplus cash dedicated to repayment of those rollover loans from 50% to 70% and staff wanted like to revisit that topic.

Next, Ms. Berman mentioned that the Corporation has approved eight (8) or nine (9) of those deals but not all have completed construction, stabilized and started to generate surplus cash. Staff initiated an analysis of the deals in the portfolio that are paying 50% towards surplus cash and looked at the difference between 50% and 70% of surplus cash. In 2020 the total amount was \$256,700 or an average per project of \$8,000 and in 2021 the amount was \$154,240 or an average just south of \$5,000 per project. That additional surplus cash does little to help RIHousing's bottom line, but it can help the non-profit developer partners. Additionally, it also helps to retain conformity in documentation, and given the pipeline of closings, anything that can minimize changes will facilitate an increase in overall efficiency.

Ms. Berman stated that Mike DiChiaro, Director of Leased Housing and Rental Services could verify that information. Mr. DiChiaro spoke to the value of returning to the 50% mandate of surplus cash for the developers. He acknowledged that it would positively impact the lives of the residents and overall maintenance of the projects. Mr. DiChiaro affirmed that the additional 20% does not significantly impact RIHousing but goes much further for the developers.

Ms. Ventura also substantiated that those dollars would provide stability and financial support for the developments.

Ms. Berman then welcomed questions from the Committee.

Committee Chairman Orth inquired why the 20% difference was important to the developers.

Ms. Berman remarked that the funds would be utilized for resident services that directly impact residents. Mr. DiChiaro also noted that the funds would provide after school programs for children and the funds could be used to hire an asset manager to service multiple properties. Those resources would be useful in various ways without incurring additional debt.



The Committee Chairman also wanted to know if those loans are repaid. Ms. Ventura responded that the loans are repaid, but staff prefers that the developments are well run and operate efficiently so that no one is left to the services of shelters. Staff is thinking critically about the value of secondary debt for the developments. That 20% is more meaningful spent on the projects.

Commissioner Designee Cabral asked if staff has a done an analysis to estimate the amount of loss the 20% would mean to RIHousing. Ms. Berman replied that in in 2020 and 2021 the approximate amount is \$154,000. In her view, in the big scheme of financing, it's not a significant amount.

Mr. Comer further elaborated that the breakdown is approximately \$5,000 to \$10,000 per project. It's a small incentive that will go a long way for developers to ensure the properties operate efficiently and improve the quality of life for seniors and other residents.

The Committee Chairman wanted to know if the previous agreements will need to be amended. Ms. Ventura informed the Committee that staff would note the change but would include some structure to the transaction.

There were no votes taken regarding this item.

#### Adjournment

There being no further business to discuss, Committee Chairman Orth asked for a motion to adjourn the meeting. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth to adjourn the meeting.

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

The Commissioners unanimously voted to adjourn the meeting at approximately 10:19 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

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Carol Ventura  
Secretary and Executive Director