

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
February 10, 2021

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Wednesday, February 10, 2021 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 210-46 (extended by Executive Order 21-10, 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 21-10 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 9:32 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; Chairman Nicolas P. Retsinas and Maria Barry. Elizabeth Tanner, Director of the Department of Business Regulations 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; Leslie McKnight, Assistant Deputy Director of Loan Servicing; Nicole Clement, General Counsel; Anne Berman, Assistant Director of Development; Jeffrey Swanson, Development Officer; Milton Baxter, Development Officer; 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 January 13, 2021

Committee Chairman Orth asked for a motion and a second for the approval of the Credit Committee minutes held on January 13, 2021. A motion was made by Chairman Retsinas 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
Chairman Retsinas	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 January 13, 2021 are hereby approved.

2. Recommendation for Firm Approval of Financing for Oxford Land Family Housing (Providence)

Committee Chairman Orth introduced Jeff Swanson, Development Officer, who gave the presentation.

Mr. Swanson explained that this request is for firm approval of a reservation of up to \$796,297 of 2020 low-income housing tax credits (“LIHTC”) and a taxable permanent mortgage of up to \$1,450,000 for Oxford Land Family Housing (“OFLH” or the “Development”) located in Providence. The developer is Preservation of Affordable Housing, Inc. (“POAH” or the “Developer”). Preliminary approval of OFLH was granted by the Board of Commissioners on May 13, 2020.

The proposed Development will be located on a vacant site adjacent to the existing Oxford Place and Gardens, which were both refinanced and substantially rehabilitated in 2018. The total development cost at the time of preliminary approval was \$9,128,293. Since preliminary approval the cost has increased to \$9,966,512. The higher cost has been primarily covered with higher equity pricing, a higher first mortgage, deferred fee and a small sponsor loan. This transaction will allow for the addition of 30 new affordable housing units on a vacant infill site in South Providence. The building will be built to passive house standards ensuring energy efficiency and additional comfort for the residents. Additionally, the Developer is proposing 5 units at 50% area median income (“AMI”), 19 units at 60% AMI and 6 unrestricted units. The projected rents for the unrestricted units are calculated to be affordable to households at 70% AMI. Since preliminary approval, the Development has secured all of its remaining financing.

Mr. Swanson stated that changes of note included: (i) RIHousing will now serve as the permanent lender (ii) a change in construction lenders; (iii) a change in syndicators; (iv) an increase in LIHTC equity and (v) a change in unit configuration.

Committee Chairman Orth thanked Mr. Swanson for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Oxford Land Family Housing (Providence).

A motion was made by Commissioner Barry and seconded by Chairman Retsinas.

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

Chairman Retsinas commented that POAH is a good partner for RIHousing and wanted to know if there would be any impact on density. Ms. Swanson reported that they do not anticipate any negative impact on density as the project proposes a nice mix of one (1), two (2) and three (3) bedroom units. POAH has worked with the City of Providence on the issue and addressed the concern by eliminating a story to the design to ensure a decrease in density.

Chairman Retsinas also wanted to know if the financing had a 35-year amortization. Mr. Swanson confirmed that it did.

Anne Berman, Assistant Director of Development, added that the developer did not require a 40-year mortgage and will have a balloon payment option at year 17.

Chairman Retsinas was also pleased to see the inclusion of broadband (WI-FI) included in the proposal.

Commissioner Barry commented that this is a great project and was delighted that the developer was able to close the funding gaps.

There being no further questions, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Barry	Aye

Ms. Clement stated that the recommendation for Firm Approval of Financing for Oxford Land Family Housing (Providence) was unanimously approved.

3. Recommendation for Preliminary Approval of Financing for Forest Farm Assisted Living (Middletown)

Committee Chairman Orth introduced Milton Baxter, Development Officer, who presented the request.

Mr. Baxter stated that Forest Farm Assisted Living (FFAL) is a licensed assisted living facility located in Middletown, RI. The property currently has 50 one-bedroom assisted living apartments contained in a single building, of which 35 are subsidized with low-income housing tax credits (“LIHTC”) and receive Medicaid waivers from the State of Rhode Island. The project reached the end of its initial compliance period in 2014 and the equity investor limited partner, National Equity Fund, exited the partnership in 2015.

In addition to the assisted living apartments, the building features a commercial kitchen, dining room, library and other common activity rooms to service the needs of the residents. Church Community Housing Corporation (CCHC or the Developer) was the original developer of FFAL and is proposing this refinancing to undertake a moderate rehabilitation of the property. The building is attached to the Royal Middletown Nursing Centre (F/K/A Forest Farms Healthcare Center) (Royal). FFAL and Royal have a contractual relationship in which an affiliate of Royal provides meals and services to FFAL. FFAL is responsible for the property management traditional to a residential property.

Continuing, Mr. Baxter stated that FFAL’s operations have been inconsistent over the past 20 years. Much of the challenge is due to the vagaries of the state’s Medicaid waiver. While the state did set aside 151 Medicaid waivers for 3 assisted living facilities financed by RIHousing, the reimbursement rate was stagnant for more than 10 years even though costs, many mandated by the Rhode Island Department of Health, increased annually. In 2018, the reimbursement rate increased from \$43/day to \$69/day, helping to stabilize operations.

CCHC is proposing to refinance without undertaking a resyndication. Proposed sources include a taxable first mortgage, a Preservation Loan from the Affordable Housing Trust, a Capital Magnet Fund (CMF) Loan, a \$500,000 Building Homes Rhode Island (BHRI) loan, and an additional \$650,000 from the Federal Home Loan Bank of Boston’s Affordable Housing Program (AHP). The BHRI and AHP sources have been secured. CCHC is also seeking to rollover existing subordinate debt from the 1999 transaction. FFAL was awarded 30 project-based vouchers in September of 2020, which has significantly improved the revenue generated at the property, allowing it to support the proposed debt and help insure more stabilized operations going forward.

Finally, Mr. Baxter stated that the proposed transaction will allow CCHC to complete a substantial rehabilitation of the property and help ensure stabilized operations going forward. The updated mechanical systems, solar installation, and building envelope improvements will create more efficient operations of the property with lowered utility costs and reduced maintenance expenses.

A brief dialogue followed where Committee Chairman Orth asked Mr. Baxter to explain the capitol stack in greater detail. Mr. Baxter stated that the property was acquired for \$1.7 million, and that the amount of the existing debt that will be rolled over is \$1 million and the existing first mortgage of approximately \$652,500 will be repaid. Additionally, the HOME Program loan of \$300K will be discharged.

Committee Chairman Orth commented that for a development that is 20 years old and only 2 stories, the rehabilitation costs of \$92,000 per unit seemed high. Mr. Baxter clarified that part of the reason is that the construction requires Davis Bacon wages, adding 12% to the total costs.

Also, most of the work being performed are not typical renovations. The addition of solar panels on the roof and climate control pumps for the individual units has increased the costs. The developer is also replacing the entire sprinkler systems, which is a significant upgrade.

Ms. Berman then mentioned that construction costs have increased, and the assisted living component has specific requirements that need to be met. Those requirements include more common space for seniors and a commercial kitchen and dining areas that increase the overall price of the renovation.

Committee Chairman Orth then highlighted COVID-19 concerns and that this kind of rehabilitation needed more attention to adequately ensure the safety of the residents. Commissioner Orth inquired if the developer had presented plans for the safe relocation of the residents during the rehabilitation process. Mr. Baxter responded that staff had addressed that matter and that there are presently vacant units on the property and the plan is to move the resident into those units during the renovation phase. Additionally, RIHousing staff will work with the developer and borrower to ensure the safety of the residents.

Chairman Retsinas asked whether Forest Farm's operational problems had been rectified and whether similar problems might arise going forward. Mr. Baxter replied that Forest Farm is in a much better position than it was in 2018 and that the reimbursement rate of the Medicaid waivers increased from \$43 per day to \$69 per day, helping to stabilize operations. Also, Ms. Berman shared that the supplement of 30 project-based vouchers has made the operational situation much more stable. She stated that Medicare waivers were not factored into the proforma since they are part of the passthrough funds.

Commissioner Barry commented that this is a great assisted living facility but acknowledged that it must be difficult to perform the renovation in an affordable fashion. Commissioner Barry was also hopeful that the developer is thoughtfully considering how to effectively and safely perform the renovations to ensure that the residents are properly housed during the rehabilitation process.

Mr. Baxter shared that there have been several renovation projects undertaken during the COVID-19 pandemic where RIHousing has anticipated potential problems and has recommended COVID-19 safety protocols to partners to provide the greatest level of protection for all. RIHousing staff has worked to ensure these guidelines are being followed.

Finally, Chairman Retsinas stated that it was satisfying to see Church Community Housing pursuing this endeavor.

Following the presentation and discussion, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners the Preliminary Approval of Financing for Forest Farm Assisted Living (Middletown).

A motion was made by Commissioner Barry and seconded by Chairman Retsinas.

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

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Barry	Aye

Ms. Clement then stated that the recommendation for approval of Preliminary Approval of Financing for Forest Farm Assisted Living (Middletown) was unanimously approved.

4. Recommendation for Approval of Transfer of Physical Assets (TPA) for Sutterfield Apartments (Providence)

Committee Chairman Orth recognized Anne Berman, Assistant Director of Development, who reported on the transfer of physical assets for Sutterfield Apartments.

This Request for Action (“RFA”) is for approval of the transfer of the limited partnership interest in Sutterfield Apartments (the “Development”), an affordable housing development for seniors and disabled households located on South Lane in Providence.

The Development consists of 144 apartment units in several buildings with associated parking. Originally developed as affordable housing in 1992, the Development was sold and refinanced in 2006 utilizing the Low-Income Housing Tax Credit (“LIHTC”) Program and tax-exempt bond financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). The Development consists of a mix of 1, 2, and 3-bedroom units. Sixty units benefit from a Project-Based Voucher (“PBV”) Contract through the Providence Housing Authority. The Development’s initial 15-year compliance period ends in 2022 and the LIHTC restrictions remain until 2037. The Regulatory Agreement expires in 2046. The Development was originally financed using a conduit transaction in which Freddie Mac provided the credit enhancement and assumed the financial obligations. The developer, Fairfield Residential LLC (“Fairfield”), is now seeking to redeem the bonds and refinance the property as part of a larger portfolio restructuring.

Fairfield has requested RIHousing’s approval of the transfer of the limited partnership interest to FFI Sutterfield Investor LLC and FFI Sutterfield SLP LLC (the “Transferees”). The Transferees are Delaware limited liability companies affiliated with Fairfield. Under RIHousing’s Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 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 before conveying, assigning or transferring any ownership interest in a multifamily housing project.

The owner of the Development is Fairfield Sutterfield LP. The current general partner of the development is FFI Sutterfield LLC, a Delaware limited liability company affiliated with Fairfield that holds a .099% interest in the partnership. The 2 current investor limited partners in the Development are AMTAX Holdings 735, LLC and TCHII Pledge Pool LLC (the “Alden Torch Investors”). Collectively, Alden Torch Investors holds a 99.901% limited partner interest. Alden Torch Investors intends to withdraw and sell their partnership interests to the Transferees.

Ms. Berman confirmed that no new financing is currently anticipated. Fairfield will repay two (2) subordinate loans from RIHousing totaling approximately \$1,814,000 as part of the bond redemption at which time RIHousing will have no financial interest in the property. The Transferees will assume all existing obligations encumbering the Development. Fairfield undertook \$7 million in repairs in 2006.

The current property manager is Fairfield Properties LP, an affiliate of Fairfield. No change in the management agent is contemplated. The transfer of the limited partnership interest in the Development will allow Fairfield to buyout the limited partner after the limited partner's tax credits have been fully utilized but before the initial compliance period expires.

The staff of the Asset Management Department and Development Division jointly reviewed this request under the TPA Regulations and determined that the proposed transaction complies with the regulatory requirements. As a conduit transaction, RIHousing does not hold reserves or perform an annual risk rating analysis. Staff recommends the recommendation for approving the transfer of the limited partnership interest for Sutterfield Apartments.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets (TPA) for Sutterfield Apartments (Providence).

A motion was duly made by Commissioner Barry and seconded by Chairman Retsinas.

A short discussion ensued with Committee Chairman Orth inquiring if this property was a foreclosed development. Ms. Berman confirmed that Sutterfield Apartments was a foreclosure. She remarked that this is the final chapter for this property as it was sold to Fairfield at the same time as University Heights.

The Committee also wanted to know if there are any physical or material issues with the property. Ms. Berman responded that an appraisal and a capital needs assessment were initiated for the refinance with Freddie Mac. As the Corporation does not own the loan, RIHousing's concern is more from the compliance perspective. RIHousing wants to preserve the affordability of the property and ensure that it is properly capitalized.

Commissioner Barry commented that she is pleased to see this transaction as it will repay RIHousing's debt and since the interest rates are so low, it allows the developer to lock in rates at a decent price. It's also gratifying that the development will remain affordable until 2037.

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 Barry	Aye

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the Approval of Transfer of Physical Assets (TPA) for Sutterfield Apartments (Providence) was unanimously approved.

5. Discussion:
 - a. Pipeline Report

Eric Shorter, Director of Development, reported on the pipeline activity.

Mr. Shorter said that the Development Division has received eleven (11) proposals for the Low-Income Housing Tax Credits (LIHTC) Program awards, totaling \$13 million. Staff is presently engaged in the review process and plans to bring the recommendations to the Board of Commissioners in May.

Additionally, Development has twelve (12) preservation deals that are in the underwriting stage.

Mr. Shorter was excited to share that a request for proposals (RFP) for the Workforce Housing Innovation Challenge program has been posted and responses are due the first week of March.

Other transactions slated for firm approval next month are Constitution II, III and IV and Paragon Mill. Pineview Apartments is also moving forward, and staff anticipates will be presented to the April Board meeting.

Committee Chairman Orth commented that he was excited with the level of activity in the Development Division.

Commissioner Barry asked Mr. Shorter that given the economy and the unemployment situation if the rent rates are holding steady. Mr. Shorter confirmed that pricing is holding steady and that the rents appear to be very strong. Mr. Shorter mentioned that he has communicated with the Mayor of Providence and confirmed that the rent demand is healthy and very strong. However, staff will monitor the situation and rental trends. Workforce housing is another area that is in strong demand as it caters for the 80-120% AMI population.

Ms. Ventura pointed out that there is a lot of construction progress in Rhode Island with staff closing on numerous transactions. The concern is the availability of employing subcontractors to complete the work. Mr. Shorter stated that he has addressed that issue with developers and most are confident in their ability in procuring staff and labor for the jobs in the pipeline. Commissioner Barry asked if staff has any requirements that the contractors/subcontractors be Rhode Island based. Mr. Shorter replied that that staff prefers that they employ Rhode Island workers, however, they do have the option to utilize other firms. Committee Chairman Orth observed that presently there is a scarcity of subcontractors in the building industry and the matter has been compounded by the COVID-19 situation. Chairman Retsinas then reminded staff of the importance of expanding the diversity and the use of minority contractors and subcontractors for these services.

There were no votes taken regarding this item.

b. Review of Sustainable and Social Impact Bonds

Committee Chairman Orth introduced Kara Lachapelle, Chief Financial Officer, who gave a presentation on Sustainable and Social Impact Bonds.

Ms. Lachapelle began by saying that during the past year staff has begun to designate the Corporation's bonds as social or sustainability bonds. As this is a new process, Ms. Lachapelle wanted to provide the Committee with certain background information on the market and where RIHousing fits.

Ms. Lachapelle explained that the market for ESG investing (environmental, social, governance) has grown greatly in the past few years. One of the major investors, Blackrock's CEO, recently reported that investment in sustainable assets for 2020 was at a level of \$300B; which is a 96% increase in just one year.

While the market is still evolving, some regulators have stepped up to establish standards for the bonds. The International Capital Market Association has created guidelines for Social, Green, and Sustainability bonds that promote integrity in the bond market through transparency, disclosure and reporting. They've also mapped those guidelines to the United Nations Sustainable Development Goals. Once the Finance Department reviewed the guidelines it was apparent that RIHousing's mortgage programs were suited for the designations.

Continuing, Ms. Lachapelle cataloged the diverse types of bond designations, such as social bonds, green bonds and sustainability bonds. The bonds designated as social bonds directly aim to address or mitigate a specific social issue or achieve positive social outcomes particularly for target populations. Ms. Lachapelle confirmed that this is the designation that the Corporation employs for its Homeownership Opportunity Bonds (HOB). The principles include providing access to essential and financial services, which RIHousing attains through its first-time homebuyer mortgages and the down payment assistance (DPA) loans; along with economic advancement of which homeownership is probably the greatest wealth generator for RIHousing's customers.

Green bonds contribute to environmental objectives such as climate change mitigation, conserving natural resources, and preventing pollution.

Sustainability bonds retain aspects of both social bonds and green bonds. Ms. Lachapelle explained that this designation is used for the Multi-Family Development Bonds (MFDB) the Corporation issues. Numerous RIHousing's developments are already incorporating environmental features into their buildings including high efficiency boilers, energy star appliances, and irrigation systems for storm water runoff. Therefore, they are all meeting the low-to moderate-income target population.

Ms. Lachapelle then advised the Committee that there are reporting and disclosure requirements for these designations. Staff presently reports on the AMI of customers to show the target population, along with disclosing information on the DPA programs, homebuyer education and foreclosure prevention programs. Regarding the multi-family bond reporting, staff reports on the environmental upgrades being done at each development as well as the AMI of the tenants. All

of this information, RIHousing already captures and the reporting is done annually until bonds are fully disbursed.

Lastly, Ms. Lachapelle cited the advantages of having the bonds designated as social or sustainable. The main benefit is the increase in investor interest in the bonds. RIHousing's most recent bond issuances have been oversubscribed allowing the Corporation to reduce its borrowing costs. Those savings have allowed staff to pass them along to the customers by lowering the mortgage rates or helping to fund new and existing housing programs.

As this is an evolving market, RIHousing is presently self-designating for the bonds with guidance and direction from bond counsel. Ms. Lachapelle said that eventually third-party certifications will be required for the designations.

Ms. Lachapelle then entertained questions from the Committee.

Chairman Retsinas thanked Ms. Lachapelle for a great presentation and asked if the industry is utilizing third-party vendors to perform the certifications. Ms. Lachapelle remarked that Colorado Housing Authority has used a third-party vendor. There are six (6) other HFAs using these designations, but Colorado Housing Authority is the only one that has engaged in a third-party service. If RIHousing decides to actively pursue the designations, then staff will issue an RFP for these services. For the time being, Ms. Lachapelle indicated that staff would undertake additional research prior to issuing the RFP.

Commissioner Barry also commended Ms. Lachapelle on the presentation and confirmed that the information is consistent with what she is hearing from other organizations. Commissioner Barry also noted that the social and green bonds are oversubscribed in the marketplace. The interest rate realized is higher and it's a terrific benefit for both the investor and RIHousing.

In addition, Ms. Lachapelle acknowledged that the reporting process is relatively easy given that the Corporation already has the technology and data in place, which makes it simple to extract the information for the proper designations.

Committee Chairman Orth agreed that this positive for the Corporation and asked if there are any risks involved in these transactions. Ms. Ventura confirmed that there is no risk associated with the designations and as this is a growing industry, eventually more HFAs will engage in the practice. Ms. Ventura did share that Ms. Lachapelle and her team continuously evaluate the market conditions to keep abreast of the bond requirements.

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 Barry and seconded by Chairman Retsinas 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
Chairman Retsinas	Aye
Commissioner Barry	Aye

The meeting was adjourned at 10:33 am.

In closing, Committee Chairman Orth thanked and wished everyone a good day.

Respectfully submitted

Carol Ventura, Secretary and Executive
Director