

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

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, February 8, 2023 at 9:30 a.m. The meeting was held at the main office of the Corporation, 44 Washington Street, Providence, RI 02903, Conference Boardroom and via telephone conference call.

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

Mr. Rotella stated that (i) this meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for specific RIHousing staff participating telephonically in the meeting, all callers would be muted during the meeting. Mr. Rotella also asked that to prevent any feedback or background noise, telephone participants to please mute the telephone if not speaking. Additionally, Mr. Rotella announced that if during the meeting anyone had technical difficulties with audio or accessing the call, they should call (401) 457-1240.

Next, Corinne Myers, General Counsel, provided additional guidance for the meeting. Ms. Myers stated that 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 9:32 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; Stephanie Booker, Real Estate Development Officer; Tony A’Vant, Assistant Director/Design & Construction; 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 December 7, 2022

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on December 7, 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 December 7, 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 December 7, 2022, are hereby approved.

2. Recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for West House II (Middletown)

Committee Chairman Orth announced that Stephanie Booker, Real Estate Development Officer would give the presentation.

Ms. Booker began by saying that the request was for firm approval of the reservation of up to \$1,190,000 of 2022/2023 Low-Income Housing Tax Credits (“LIHTC”) as well as firm approval of: (i) a taxable leasehold first mortgage in an amount up to \$2,480,000; (ii) a HOME Investment Partnerships Program (“HOME”) Loan in an amount up to \$994,784; and (iii) a RI Rebounds Production Fund (“RIRPF”) Loan in the amount of \$1,000,000 for West House II (the “Development”), a fifty-four (54) unit rental housing development to be located at 170 Enterprise Drive, Middletown, Rhode Island. Church Community Housing Corporation (“CCHC” or the “Developer”) is the developer. The Development received preliminary approval from the Board of Commissioners on April 21, 2022 (“Preliminary Approval”).

West House II is a proposed three-story addition to West House I, an existing 50-unit U.S. Department of Housing and Urban Development (“HUD”) Section 202 housing development that was built in 1996. Residents of the Development will utilize the existing West House I parking and common areas, which include a Chapel, nurses’ office, library, game and fitness room, double dining room, coffee shop, and computer lab. Due to the abundance of common space at West House I to be utilized by residents of the Development, the overall total development cost is comparatively low. The Development will be restricted to residents who are 55 years of age and older.

The Development will be constructed on land owned by the West House I owner, The West House Corporation, a Rhode Island non-profit corporation and affiliate of CCHC (the “West House I Owner”). The land is currently encumbered by a mortgage given by the West House I Owner in favor of HUD. West House II will enter into a 99-year ground lease with the West House I Owner for the portion of land associated specifically with West House II. There will also be an agreement regarding shared operating expenses to cover items such as snow plowing, maintenance, etc. Since Preliminary Approval, the Developer has secured HUD approval for a partial release of the current HUD mortgage for that portion of the land associated with the West House II ground lease. The Development will be designed to meet passive house certification and will include a large solar array on the roof. Of the 54 units, six one-bedroom units will be available to households earning up to 30%

of area median income (“AMI”) who will be the beneficiaries of project-based HUD Section 811 vouchers. The remaining 34 one-bedroom units and 14 two-bedroom units will be available to households earning up to 60% AMI.

Since preliminary approval, the Developer has finalized their construction pricing and has secured a construction loan from Webster Bank as well as syndication equity from National Equity Fund. In addition, the Development was awarded Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission as well as a RIRPF Loan.

Finally, Ms. Booker said that the capital stack for permanent financing is comprised of (i) a RIHousing first mortgage, (ii) a HOME Loan, (iii) a BHRI Loan, (iv) a RIRPF Loan, (v) syndication proceeds from the sale of LIHTC, and (vi) a deferred developer fee.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for West House II (Middletown).

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

A brief discussion followed with Commissioner Designee Cabral noting that the write up mentioned that the proposal includes a good amount of shared common space and asked if the property also has adequate parking for the residents. Ms. Booker explained that the development is a former office park that includes a dedicated parking area that is more than sufficient for the residents’ parking needs.

Committee Chairman Orth mentioned that the transaction incorporates a permanent loan and Federal Financing Bank (FFB) risk share structure and wanted to know if that is unusual. Kara Lachapelle, Chief Financial Officer responded that FFB financing is just for the permanent loan, not for the construction loan. Staff has also built in a cushion to accommodate expected interest rate increases.

Ms. Berman further elaborated by saying that in the financing proposal there exists satisfactory room for the debt. Staff has also reserved a certain amount of the developer fee for that contingency.

Committee Chairman Orth asked if RIHousing has previously utilized this strategy. Ms. Berman responded that this is the second time RIHousing has recommended FFB financing for a new production project.

Continuing, Ms. Berman said that the Developer has done an excellent job in controlling costs. There is a fair amount of soft money proposed for the transaction and minimal deferred fees. Committee Chairman Orth suggested that staff review developer fees and requirements so that everyone shares in filling financing gaps.

Carol Ventura, Executive Director concurred and said it’s a discussion worth having.

Committee Chairman Orth acknowledged that it’s a fabulous project utilizing existing infrastructure.

There being no additional comments or questions, Committee Chairman Orth conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Committee Chairman Orth then officially stated that the recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for West House II (Middletown) was unanimously approved.

3. Recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Frenchtown Road I & II (East Greenwich)

Committee Chairman Orth again asked Ms. Booker to proceed with the presentation.

Ms. Booker stated that the request was for firm approval of 2022/2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$545,682, as well as firm approval of (i) a HOME Investment Partnerships Program (“HOME”) Loan in an amount not to exceed \$1,336,164; (ii) a Housing Trust Fund (“HTF”) Loan in an amount not to exceed \$1,781,552; (iii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$1,428,060 and (iv) a RI Rebounds Production Fund (“RIRPF”) Loan in an amount not to exceed \$757,000 for Frenchtown Road I (“Frenchtown I”). This RFA is also seeking firm approval of: (i) tax-exempt construction financing of up to \$7,500,000; (ii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$483,440; and (iii) a RIRPF Loan in an amount not to exceed \$1,213,875 for Frenchtown Road II (“Frenchtown II” and together with Frenchtown I, “Frenchtown I & II” or the “Development”).

The developer of Frenchtown I & II is a joint venture between Pennrose, LLC and Cove Homes Incorporated (collectively, the “Developer”).

Frenchtown I & II is a proposed 63-unit mixed income development on a vacant site located at 655 Frenchtown Road in East Greenwich. This is a hybrid development comprised of a 30-unit 4% LIHTC project as well as a 33-unit 9% LIHTC project, each owned by a separate entity. The projects must be completed simultaneously as the 63 new units are in a single building.

The four-story building will be elevator served and includes ample community and management space. The ground floor of the building features offices for Cove Homes Incorporated staff, a wellness center for resident programming, as well as spaces for management and supportive services. Additional community spaces include a gathering/event space with a kitchen and dining area, as well as a lounge area off a landscaped courtyard. The building is designed to meet National Grid’s RNC Tier II and the latest Energy Star Multifamily New Construction standards. All the electricity for the property’s site and common area load will be powered by a combination of rooftop solar and renewables. Budgetary support will be provided through community net metering.

Frenchtown I & II will serve a range of incomes, including 24 units at 30% of area median income (“AMI”), 2 units at 50% AMI, 30 units at 60% AMI, and 7 units at market rate. Eight of the 30% AMI units will be subsidized with U.S. Department of Housing and Urban Development (“HUD”) Section 811 vouchers providing supportive housing for persons with disabilities. Each tranche will also benefit from project-based vouchers (“PBVs”) administered by the East Greenwich Housing Authority (the “EGHA”).

There have been several changes since preliminary approval. Most notably, (i) the number of market rate units has been reduced from 19 to 7, resulting in 12 additional LIHTC units, (ii) the distribution of units has been modified such that there are now one- and two-bedroom units in each tranche which resulted in shifting of sources and uses across each tranche, (iii) the Developer received a federal earmark of \$2,000,000 to assist with project costs, and (iv) the Developer was awarded eight additional PBVs from the EGHA. These additional PBVs now allow the 4% project to carry permanent debt.

Since preliminary approval, construction costs have increased and the Developer undertook value engineering to address these escalating costs. The Developer was awarded Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission for both Frenchtown I & II to help offset those increased costs. The Developer also conducted a third-party utility allowance study and has received approval to use the proposed utility allowance fees for all LIHTC, Section 811, and PBV units.

The Developer has secured both construction and permanent financing through Cedar Rapids Bank & Trust (“CRBT”) for Frenchtown I. CRBT will also provide the permanent financing for Frenchtown II. CREA, LLC is the LIHTC syndicator for both transactions.

Committee Chairman Orth thanked Ms. Booker for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Frenchtown Road I & II (East Greenwich)

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.

Committee Chairman Orth noted that Tony A’Vant, Assistant Director of Design & Construction was present at the meeting and inquired if staff has undertaken a review of costs. Mr. A’Vant responded that the project is unique that it provides services for the elderly along with various common spaces. Issues with the site consisted of infrastructure that was difficult to access to remediate environmental, geotechnical issues and a sewer ejection pump. A new drainage system was required that also increased the cost.

Continuing, Mr. A’Vant said that he was confident in the numbers. Especially as the developer has achieved a high level of energy efficiency by incorporating solar panels and net metering. Even though the initial outlay is more, the long term savings are commendable. Additionally, the costs are in line with other deals.

Committee Chairman Orth speculated about enacting a policy to address large cost overruns. He recommended RIHousing explore that matter.

Ms. Ventura explained that RIHousing does a good job promoting cost containment. The developer has a competent team that is cognizant of the matter and performs admirably on minimizing cost increases. It’s a great project.

Committee Chairman Orth then asked if the transaction sets a precedent for future deals. Ms. Berman said that she expects that there will be other deals that will experience the same situation. Particularly with the volatility in construction costs, market increases and COVID supply chain issues, staff expects that others will seek the exemption. Ms. Berman did note that Mr. A’Vant’s team does an excellent job pursuing alternate measures to minimize increases.

Ms. Ventura explained that to enforce a permanent cap on increases would be difficult. The industry is experiencing labor challenges, supply chain issues and site issues that it would be detrimental to the pursuit of affordable housing.

James Comer, Deputy Executive Director further noted that even though the upfront costs of the projects are higher, the long term benefits outweigh the initial investment.

Ms. Ventura acknowledged that given the present market, she expects more exceptions regarding the permanent cap.

Committee Chairman Orth stated that it's wise to finalize this funding round, review efforts and then revisit the matter. This way staff can review details and consider what type of housing units to build for maximum efficiency.

Mr. Comer agreed, noting that the annual review process for the Qualified Annual Plan (QAP) is scheduled to begin soon and this will be a major topic of conversation.

Committee Chairman Orth then asked for clarification regarding the financing term. He wanted to know if the mortgage was a 40 year or 42 year term. Ms. Berman explained that it's a 40 year term. The first two years are for the construction loan.

Following the discussion, Committee Chairman Orth conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Committee Chairman Orth then officially stated that the recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Frenchtown Road I & II (East Greenwich) was unanimously approved.

4. Recommendation for Approval of Transfer of Physical Assets for Barbara Jordan I Apartments (Providence)

Committee Chairman Orth said that Anne Berman, Director Real Estate Development would present the request.

Ms. Berman began by noting that the request is an administrative action. Ms. Berman then said that the request was for or approval of the transfer of the general partnership interest of Barbara Jordan I Apartments (the "Development"), an affordable housing development for families located on scattered sites in Providence.

Under RIHousing's 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.

Barbara Jordan I is a scattered site development consisting of 193 units in 82 buildings and benefits from a Housing Assistance Payment ("HAP") contract for all units. The Development was purchased in 2017 by affiliates of Omni America LLC ("Omni") and subsequently refinanced using tax exempt

bonds, existing reserves and low-income housing tax credits. When completed, the final rehabilitation budget was approximately \$75,000 per unit.

The owner of the Development is Barbara Jordan I, L.P. The current general partner of the Development is Barbara Jordan I Developers, LLC, a Rhode Island limited liability company that holds a .01% interest in the partnership. The general partner is co-managed by ONY Barbara Jordan I, LLC and Mill Plain Properties, LLC, both of which are ultimately owned and controlled by Omni Holding Company LLC (the "Transferor"). Currently, the Transferor is owned and controlled by the following individuals and/or entities: (1) Eugene Schneur; (2) Maurice S. Vaughn; (3) Robert Bennett; and (4) Trident Omni Holdings LLC. The Transferor seeks to transfer their general partnership interest to TGA GP HoldCo LLC (the "Transferee"), a Delaware limited liability company and an affiliate of Nuveen Real Estate Group ("Nuveen").

Nuveen is purchasing the Transferor's entire portfolio; which consists of 190 developments across multiple states. Nuveen specializes in acquisition, development, and asset management across a diverse portfolio and is controlled by a Board of Managers made up of Pamela West, Nadir Settles and Patrick Li. Prior to the acquisition of the Transferor's portfolio, Nuveen's affordable housing portfolio is currently valued at \$3B+ consisting of approximately 20,000 apartment units in 20 states.

The two current investor limited partners in the Development are CREA Barbara Jordan, LLC and CREA SLP, LLC (the "Limited Partners"). There will be no change in the Limited Partners.

The current property manager is Reliant Realty Services, LLC ("Reliant"). Reliant will be purchased by Nuveen, however, the President and senior staff at Reliant will remain. No change in the management agent is contemplated.

Committee Chairman Orth thanked Ms. Berman for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets for Barbara Jordan I Apartments (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 Cabral asked Ms. Berman to explain the relationship between the entities. Ms. Berman clarified that there is no relationship between the parties. Omni America has decided to sell its entire portfolio and therefore requests the transfer of assets.

Continuing, Ms. Berman also confirmed that in compliance with Section 8 regulations, HUD has approved the transaction.

Following the question, Committee Chairman Orth conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

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

Ms. Berman began by saying that staff is deep in the process of reviewing applications received for the Consolidated RFP. RIHousing received 55 applications for a total of \$220 million for various funding sources.

Ten (10) of the applications are requesting 9% tax credits, 13 are seeking 4% tax credits, 42 are non-LIHTC and homeownership applications and the final three (3) are for ARP funding that are commercial undertakings.

Development staff is presently working through project summaries and issuing deficiency letters where applicable. Developers will have one (1) week to respond to the letters. Ms. Berman then said that following that process, the goal is to bring several viable deals to the Board for approval starting in March with the bulk of recommendations presented in May.

Continuing, Ms. Berman announced that many of the proposals have passed threshold criteria. That is indicative that the developers are steady and responsible. Additionally, there is a good cross-section of developers, including a new national developer and diverse project type.

Committee Chairman Orth inquired if staff plans to generate a dashboard to monitor progress on the funds. Ms. Ventura confirmed that RIHousing is working on exploring best practices for designing the dashboard. Ms. Ventura stated that Mr. Comer and Amy Rainone are researching methods for presenting the data. Furthermore, RIHousing has been engaged in actively communicating that funds are available for deployment.

Committee Chairman Orth asked if there are any concerns with the process.

Ms. Berman responded that tax credit transactions are expensive, especially those that have site issues. Many of the urban proposals are limited in the amount of land available and include renovations of existing old buildings. That contributes to the increase in costs and has spurred staff to revisit the discussion regarding the cap for cost increases. Ms. Berman did say that staff has observed a number of developers investigating the opportunity of constructing 80% affordable units without utilizing tax credits.

Committee Chairman Orth referenced that RIHousing works closely with Design and Construction staff regarding the viability of the proposals and asked Mr. A'Vant if he had any reservations. Tony A'Vant, Assistant Director of Design & Construction mentioned that there is a shortage of contractors, surveyors and architects. Moreover, most of the sites are affected by environmental issues such as ledge, soil contamination and drainage issues that increase the overall price of the developments.

The Committee then discussed the shortage of contractors available and Committee Chairman Orth wondered if it's an issue of utilizing out of state entities. Mr. A'Vant stated that General Contractors are employing out of state sub-contractors but other States have the same issue of rapidly deploying funds. As there's plenty of work for skilled craftsmen, they can afford to be selective. Mr. A'Vant did share that he is part of a committee that is exploring that situation. Conversations revolve around actively building a system for trade programs to build contractor capacity.

James Comer, Deputy Executive Director further elaborated by saying that the Corporation's Strategic Plan addresses that problem. Staff is investigating measures for soliciting interested parties to train and develop the future generation of contractors and skilled workforce.

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.

Committee Chairman Orth, 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 10:14 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

Carol Ventura
Secretary and Executive Director