

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
February 9, 2022

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, February 9, 2022 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 22-01 as extended by Executive Order 22-12 and as may be further amended or extended.

Carol Ventura, Executive Director, stated that this was a telephonic meeting of the RIHousing Board of Commissioners Credit Committee. Ms. Ventura, then introduced Carl Rotella, Director of Information Technology, who summarized 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 pursuant to Executive Order 22-01, as extended by Executive Order 22-12 dated February 3, 2022, the meeting was being held via teleconference. 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 9:33 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff in attendance.

Ms. Ventura conducted a roll call of Commissioners participating in the meeting. Commissioners participating via conference call were: Committee Chairman Orth; Elizabeth Tanner, Director of the Department of Business Regulation; and Maria Barry.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Lisa Primiano, Chief Operating Officer; Kara Lachapelle, Chief Financial Officer, Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director of Real Estate Development; Jeffrey Swanson, Real Estate Development Officer; Seth St. Jean, Real Estate Development Officer; Lauren Farley, Senior Program Manager Development; 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 January 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 January 12, 2022. A motion was made by Commissioner Barry and seconded by Commissioner Tanner.

There being no discussion, Corinne Myers, General Counsel conducted a roll call vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on January 12, 2022. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

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

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

2. Recommendation for Firm Approval of Financing for Factory and Main Street Apartments (Cumberland)

Committee Chairman Orth introduced Seth St. Jean, Real Estate Development Officer who gave the presentation.

Mr. St. Jean said that this request is for the firm approval of RI Housing tax-exempt financing in an amount not to exceed \$4,000,000.00, and a taxable permanent loan not to exceed \$300,000.00 for Factory & Main Street Apartments (“FM” or the “Development”). Valley Affordable Housing Corp. is the developer (“VAH” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on October 21, 2021 (“Preliminary Approval”).

This firm approval will support the acquisition and rehabilitation of three existing portfolios, combining them into a single low-income housing tax credit (“LIHTC”) project. The Development’s 75 units are in 18 buildings on scattered sites across a tight geographic area in Cumberland. The units and buildings are in average condition. Fifteen of the buildings were built in 1870 and three of the buildings were built in 2003.

VAH will undertake a moderate rehabilitation of the Development with both exterior and interior improvements. The scope of work for the renovation includes restoration of all deteriorated wood, metal, masonry, and concrete items. Thirty of the units will receive new kitchen cabinets, and all bathrooms will have subfloors replaced and tile flooring installed. Exterior site improvements are also budgeted.

The Developer will complete the acquisition and rehabilitation of the Development using the proceeds from this tax-exempt financing and the sale of LIHTCs, a taxable permanent loan, a preservation loan from the Affordable Housing Trust (“AHT”), and a seller loan. Michel Associates, LTD. (“Michel”) will be the syndicator purchasing the 4% LIHTCs at \$0.905 per credit resulting in total syndication proceeds of \$2,518,746.00.

There is approximately \$2,936,000.00 of existing debt on the properties comprised of first mortgages with both RIHousing and other lenders, RIHousing Targeted Loans, and State of Rhode Island Housing Resources Commission loans. The first mortgages will be paid off at closing but \$2,633,000.00 of subordinate debt will be assumed by the new borrower entity. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing's requirement for rollover of existing debt.

Committee Chairman Orth thanked Mr. St. Jean for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Factory and Main Street Apartments (Cumberland).

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

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

Committee Chairman Orth noted that one of the bridge loans failed the 50% test and asked how repayment risk was being mitigated.

Mr. St. Jean explained that the LOI provided for four (4) installments with the third installment providing 60% of equity. Staff has had various conversations on the matter and are comfortable with the bridge loan.

Committee Chairman Orth also wanted to know how much equity is being addressed during the construction period. Mr. St. Jean said that \$2.2 million is coming in during construction which is approximately 90% of the total pay-in amount.

Committee Chairman Orth appreciated the information and thanked staff for addressing that concern.

There being no further comments, Corinne Myers, 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. Myers then officially stated that the recommendation for Firm Approval of Financing for Factory and Main Street Apartments (Cumberland) was unanimously approved.

3. Recommendation for Preliminary Approval of Financing for Fifty Washington Square (Newport)

Committee Chairman Orth introduced Dean Harrison, Assistant Director, Real Estate Development who gave the presentation.

Mr. Harrison said that this recommendation was for preliminary approval of a RIHousing tax-exempt construction loan in an amount not to exceed \$10,500,000, of which \$2,550,000 will remain as permanent debt, and a loan from the Capital Magnet Fund ("CMF") program in the amount of \$750,000 for Fifty Washington Square in Newport, Rhode Island ("FWS" or the "Development"). The Development previously received preliminary approval of a Housing Trust Fund ("HTF") loan

and a HOME Investment Partnerships Program (“HOME Program”) loan from RIHousing. Church Community Housing Corporation (“CCHC” or the “Developer”) is the developer.

FWS is on the National Register of Historic Places and is located in the center of Newport’s historic and downtown commercial district. The structure was built in 1911 as the Army/Navy YMCA. In 1988, CCHC converted the structure into a mixed-use building using low-income housing tax credits (“LIHTC”) and other financings. LIHTC apartments were created as well as the 41 bed McKinney Cooperative Emergency Shelter, and commercial office space. Currently, the building has 93 apartments that are subsidized with project-based vouchers or Section 8 mod rehab subsidies through the McKinney Vento Program (“MVHAP Contract”). As part of this proposed transaction, the Development will go through a RAD 2 Conversion which will shift the MVHAP Contract to a 20-year Project Based Rental Assistance (“PBRA”) contract with higher rents. There are three different apartment types within the building: 55 small efficiencies, 15 large efficiencies, and 23 one-bedroom units. FWS was re-syndicated in 2004 and the 15-year compliance period has been completed.

CCHC will undertake an extensive rehabilitation of the Development with both exterior and interior improvements. New sustainable features will be introduced, such as solar panels and a new energy-efficient HVAC system with heating and cooling mini splits in each apartment and common areas. A new roof will be installed on the building. General interior and exterior improvements include replacing and repairing masonry and terracotta building elements and refurbishing all wood windows and doors. New storm windows will be installed, and the domestic hot water storage and boilers will be replaced. Other improvements include selective interior upgrades and renovation of the emergency shelter units in the McKinney Shelter. The two elevators will be rehabilitated, new wiring will be added for a temporary generator connection, and the existing intercom system will be replaced. All the kitchens and bathrooms will be rehabilitated in the one-bedroom apartments and in the large efficiency apartments.

The Developer will complete the acquisition and rehabilitation of the Development using proceeds from this tax-exempt financing and the sale of LIHTCs. The National Equity Fund, Inc (“NEF”) will be the syndicator purchasing the 4% LIHTCs at \$0.89 per credit. Other proposed sources include: (i) a RIHousing first mortgage loan, (ii) the rollover of existing RIHousing debt, (iii) a Preservation Loan Program Fund Loan from the Affordable Housing Trust (“AHT”), (iv) a HOME Program loan, (v) a BHRI loan, (vi) a CMF loan, (vii) an HTF loan, (viii) proceeds from the sale of Federal Historic Tax Credits, (ix) general partner capital in the form of existing reserves, (x) a seller loan, (xi) a deferred developer fee, (xii) a solar grant from Commerce RI, (xiii) cash flow during construction, (xiv) and a grant from the Federal Home Loan Bank of Boston’s Affordable Housing Program (“AHP”). The BHRI loan and AHP subsidy have been secured.

There is approximately \$4,000,000.00 of existing RIHousing and AHT debt plus accrued interest on the property comprised of a RIHousing Targeted Loan, two AHT loans, a Thresholds loan, and a NOP loan. As part of the approval process, staff has determined that the Development and sponsor meet the following RIHousing requirements for rollover of existing debt.

Committee Chairman Orth thanked Mr. Harrison for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Preliminary Approval of Financing for Fifty Washington Square (Newport).

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

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

Committee Chairman Orth said that given the complex nature of the transaction – the capital stack, RAD conversion, and historic tax credits – he wanted staff to talk about the sponsor and development teams’ capabilities to successfully facilitate the deal.

Mr. Harrison confirmed that Church Community Housing has a proven track record with complicated and multi-faceted projects, and that the organization is a long-standing facilitator of affordable housing ventures.

Additionally, Church Community has previously worked with the architect, Newport Collaborative, the attorneys, Holland and Knight and Phoenix Properties and the syndicator is the National Equity Fund. The team is solid, and staff is confident in their ability to successfully bring the project to fruition.

Ms. Berman also said that given Church’s history with the building and similar projects, they are more than qualified to address any issues that arise. Furthermore, Church Community Housing has engaged the services of Steve Ostiguy, the organization’s previous Executive Director, as the asset manager to oversee and administer the transaction. Also, staff has participated in conversations with HUD and the HUD team is extremely excited about the RAD conversion.

Committee Chairman Orth noted that this was the third round of funding within 34 years and wanted to know if putting in \$120,000 per unit of renovations is necessary. The building is a beautiful historic project, but the Commissioner wanted to know if all the renovations are truly necessary.

Ms. Berman explained that was the first question staff asked when they requested this refinance. The development was originally built in 1988 as Single Room Occupancy (SROs) and during the 2004 refinance the SROs were converted to efficiencies so all the residents have kitchens and baths. However, none of the units have air conditioning. The refinance is more about addressing many of the structural issues of rehabbing the external masonry, the engineering of the internal rebar along with the wear of the terracotta. Additionally, to properly recreate that historic look is expensive.

Committee Chairman Orth appreciated the fact that staff addressed those issues, and that the owner is looking to the future by investing in solar energy.

Commissioner Tanner said that the attention to ensuring that a unique property is done properly is commendable.

Commissioner Barry asked if RIHousing is financing the construction loan. Ms. Berman confirmed that fact, clarifying that it’s a tax-exempt construction loan that converts to a permanent loan.

Commissioner Barry also asked about the equity investor for the LIHTC. Ms. Berman said that the equity investor for the LIHTC and historic transactions is NEF, who is the existing syndicator.

Ms. Berman said that the preliminary pricing has come in at 89 cents and staff would like to see that pricing increase but as the financing is in a multi-fund, there’s no issue with a particular investor insisting on being the construction lender.

Following the discussion, Corinne Myers, 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. Myers then officially stated that the recommendation for Preliminary Approval of Financing for Fifty Washington Square (Newport) was unanimously approved.

4. Recommendation for Firm Approval of HOME Investment Partnerships Program Funding for 1192 Westminster (Providence)

Committee Chairman Orth introduced Lauren Farley, Senior Program Manager Development who gave the presentation.

Ms. Farley said that this recommendation is for firm approval in an amount not to exceed \$171,940 in HOME Investment Partnerships Program (the "HOME Program") funding for 1192 Westminster ("1192 Westminster" or the "Development"), a one-bedroom apartment conversion by West Broadway Neighborhood Association ("WBNA"). 1192 Westminster received preliminary approval for \$171,940 in HOME Program funds from RIHousing on May 20, 2021 ("Preliminary Approval").

The WBNA is seeking \$171,940 in HOME Program funds for their Accessory Dwelling Unit Demonstration Project at 1192 Westminster Street in Providence. The WBNA owns the property and, in 2003, rehabilitated the primary building improvement (a three-bedroom house) into an affordable housing unit and a non-profit office space. The site currently has a vacant garage. The WBNA proposes to convert the two-bay garage into a one-bedroom apartment that is ADA compliant. The HOME Program-assisted apartment will be available to a household with an income at or below 60% AMI. Tenant preference is for a veteran with a Housing Choice Voucher.

WBNA is seeking approval for a dimensional variance from the Providence Zoning Board of Review, which action is currently scheduled for review on February 2, 2022. Once dimensional variance approval has been obtained, the WBNA can apply for their building permit.

Funding will be in an amount not to exceed \$171,940 in HOME Program funds and conditioned upon approval of the dimensional variance by the Providence Zoning Board of Review.

Committee Chairman Orth thanked Ms. Farley for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of HOME Investment Partnerships Program Funding for 1192 Westminster (Providence).

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

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

A short discussion followed with Committee Chairman Orth referencing the RFP issued in October 2020 with preliminary awards approved in May of 2021 and asked for a status on projects funded and how much was funded.

Ms. Farley confirmed that \$7 million was funded during that round and that Living East Bay, Joseph Caffey Apartments and Millrace are all on track and moving along.

Continuing, Ms. Farley said that the previous year's RFP generated 11 applications requesting \$11 million in requests for HOME funds. Those applications were just for the stand-alone projects and do not include requests that are part of the 9% financing. RI Housing is oversubscribed for the HOME funds.

Committee Chairman Orth asked if the lengthy timeline is typical for finalization of the HOME projects. Ms. Farley confirmed that the COVID situation has increased the completion time of the projects. Typically, the projects do move along faster and that is the goal for upcoming awards.

Ms. Ventura elaborated that the HOME process is now different. In the past, the recommendations were not brought to the Board for preliminary approval. Once the projects were ready for firm approval, then staff brought the recommendations to the Board. Currently, the HOME approvals are a two-step process where the Commissioners will see the transactions on a more consistent level at preliminary approval and for final commitment.

Committee Chairman Orth remarked the new process makes sense and allows staff to vet the projects during the process.

There being no further comments, Corinne Myers, 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. Myers then officially stated that the recommendation for Firm Approval of HOME Investment Partnerships Program Funding for 1192 Westminster (Providence) was unanimously approved.

5. Discussion:

a. Pipeline Report

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

Ms. Berman began by saying that the pipeline has experienced a sharp increase in transactions, especially in 4% applications. Staff is working on an omnibus application that incorporates a diverse set of ancillary funding sources to support tax deals to fill financing gaps.

Staff has also been working on the guidelines for the RFP for the omnibus financing and expects to release the information by month end.

Development has seen a lot of construction cost increases that are higher than originally anticipated. Some projects are struggling to get to firm commitment due to the increase in material costs. Staff is diligently working with developers to fine-tune the numbers so they will not have to reapply for additional financing. Construction projects are moving along nicely.

Next, Ms. Berman was pleased to announce the addition of two (2) new development officers to the Development team. Ms. Berman was happy that the onboarding of the new loan officers will help staff deal with the numerous new projects in the pipeline.

Furthermore, the loan officers, staff and non-profit partners have undertaken an intense two-week training in underwriting best practices to help the developers prepare better projects and move them thorough the pipeline faster. The training was well received and informative. There are two (2) additional sessions that are scheduled for later in the year.

Committee Chairman Orth requested Ms. Berman elaborate on the training session. Ms. Berman said that staff worked with LISC as part of their capacity building initiative and the state funding earmarked for that effort. Staff and LISC engaged The National Development Council (a nationwide training organization) to design three (3) training modules specific to Rhode Island. The session covered sources and uses, operating expenses, how to read appraisals and other financing strategies to educate and assist staff and developers in keeping services in-house. Many developers rely heavily on consultants whose fees can be expensive. At the end of each training module, a test is administered. Staff has received positive feedback from all the participants in the program and communication that they are looking forward to the next two (2) sessions.

Committee Chairman Orth thanked Ms. Berman for the information, said that this training was expressively essential for the partners and he's sure the development community valued the opportunity to participate in the program.

Commissioner Barry reiterated Committee Chairman Orth's sentiments regarding the benefits of the training, said it will go a long way to build the capacity of the industry. She also thanked staff for spearheading the effort.

Commissioner Barry noted that increasing costs are a nationwide issue and planning, getting orders out early, expeditiously locking in prices and reviewing prices will help in managing the rising costs. The Commissioner was looking for ways to help the developers navigate those challenges.

Committee Chairman Orth agreed with Commissioner Barry observing that he has seen cost increases for items such as doors, appliances and other goods, along with a minimum of 8 or more weeks for delivery. Looking at all contingency early in the process and getting as many items locked in as soon as possible is a sound strategy.

Committee Chairman Orth solicited Ms. Berman's thoughts if there's some flexibility that can be built into the timing for the developers to complete certain items for the proposals.

Ms. Berman said that one of the things working against the industry is that advocates requested an extension for the in-place of service dates for the 9% transactions, but the IRS would not contemplate that request for the 2020 and 2021 deals.

What will help is the omnibus RFP which is intended to reduce those challenges. The RFP will allow developers to secure all financing at one time. That will facilitate developers locking in the financing to enable closing sooner. Staff is doing everything possible to help the developers mitigate challenges.

The Committee also discussed cost overruns and whether they are the same percentage-wise across the board or more for larger projects than smaller ones. Ms. Berman replied that she believes it's the same across the board. The numbers are larger with the bigger projects and sometimes easier to manage. Interestingly the cost per unit is more reasonable on larger projects. However, the material

costs are still relatively reasonable. Excavation costs, environmental issues, and remediation if they hit ledge ultimately increase the costs. Ms. Berman said she would consult with Design and Construction to review those percentages and share the information with the Committee.

Continuing, Ms. Berman mentioned that the Development team also plans to work closely with contractors and partners to expedite the process.

Additionally, Ms. Berman said that if Commissioner Barry has any best practices for the industry, and she could share that information, it would be beneficial for RIHousing's borrowers.

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 Tanner and seconded by Commissioner Barry to adjourn the meeting.

Corinne Myers, 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

The Commissioners unanimously voted to adjourn the meeting at approximately 10:12 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

Carol Ventura, Secretary and Executive Director