

**Rhode Island Housing and Mortgage Finance Corporation**  
**Minutes of the Meeting of the Credit Committee**  
**January 13, 2021**

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Wednesday, January 13, 2021 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (extended by Executive Order 21-01, 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 21-01 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 9:33 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff (in attendance).

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

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, Loan Servicing; Nicole Clement, General Counsel; Anne Berman, Assistant Director of Development; Michael DiChiaro, Assistant Director Development/Asset Management & Compliance; Eric Alexander, Assistant Director Development/Housing Programs; 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 November 10, 2020

Committee Chairman Orth asked for a motion and a second for the approval of the Credit Committee minutes held on November 10, 2020. A motion was duly made by Commissioner Barry and seconded by Commissioner Tanner. 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 Tanner | Aye |
| Commissioner Barry  | Aye |

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

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

2. Discussion:

Committee Chairman Orth announced that there are no other transactions for approval, however, this is an opportunity for a discussion of significant topics such as an update on Lippitt Mill and Barbara Jordan II.

a. Pipeline Report

Eric Shorter wished the Committee a Happy New Year and announced that the focus of his Pipeline report will be a brief overview of the first half of the quarter. Mr. Shorter was happy to share that staff has four (4) to five (5) 4% preservation transactions and eight (8) taxable financing projects to bring to the Committee in the coming months.

For the 2021 tax credit year staff has received eleven (11) proposals totaling \$13 million and over \$11 million for HOME financing and \$14.2 million for affordable housing.

The applications are geographically diverse with four (4) proposals located in Providence and others in East Greenwich, West Greenwich, Scituate and Lincoln.

Continuing, Mr. Shorter said that RI Housing presently has \$2.7 million of the \$3.2 million available in tax credits to distribute for this round as \$400,000 was committed last year for Tarragon Mills. Next, Anne Berman, Assistant Director of Development provided a synopsis of the tax credit schedule. Ms. Berman stated that on December 18 staff received the responses to the request for proposals (RFP) and reviewed the proposals for deficiencies. On January 8, Development staff then sent out clarification notices to the applicants. In late January or early February, Development staff will schedule video presentations with each of the applicants. A standardized

agenda will be available for all the presentations and staff has allowed 55 minutes for the discussions. During the video call, staff plans to review thresholds determinations, work through the applicable criteria and method for scoring the proposals. Development staff will then assemble executive summaries and offer an appeal period for the developers. Once the appeal period is finalized, staff will review applications with the funding committee and bring recommendations for approval to the Credit Committee and Board of Commissioners in May.

Chairman Retsinas inquired about the quality of applications presented this year and how they compared to the previous year. Mr. Shorter responded that the quantity and quality of the proposals exceeded previous years. He believes that only two (2) or three (3) of the proposals do not meet threshold, which speaks to the value of the applications. Staff has proactively met with developers and partners to address many of the issues of previous funding rounds and it appears that the guidance provided was implemented.

James Comer, Deputy Executive Director, confirmed that one of the priorities this past year has been to reach out to partners to educate them regarding proposals expectations so that they work on putting their best foot forward in submitting detailed and comprehensive proposals. The developers have heard the message and responded accordingly. Only two (2) of the developers spoken to decided not to submit a proposal this year.

Chairman Retsinas asked Mr. Comer and Mr. Shorter if any new entities have come forth with proposals. Mr. Shorter confirmed that there are a few new developers with Penrose being a new participant. Presently, there are three (3) applications generated from nonprofits and eight (8) proposals from for-profit developers.

Mr. Shorter next noted that Barbara Jordan II is one of the applicants for this tax credit funding round. He shared that a Purchase and Sale Agreement has been executed with Omni/Wingate and the process for redeveloping the property is moving forward.

Committee Chairman Orth acknowledged that Barbara Jordan II is requesting 9% tax credits but wanted to know how the proposal measures up to the other submissions. Anne Berman, Assistant Director, remarked that it is too early in the process to judge but acknowledged that the proposal is solid and credible.

Mr. Shorter then stated that Anne Berman, Assistant Director of Development, would provide an update on Lippitt Mill.

Ms. Berman began by giving a brief overview of the project. She said that Lippitt Mill is a 65-unit multifamily affordable housing project located at 825 Main Street in West Warwick. The project closed in December 29, 2017 with Citizens Bank, N.A (“Citizens”) as the construction lender with a forward commitment from Freddie Mac for the permanent loan. Under the back-to-back conduit structure, Citizens as the lender made a direct loan to RIHousing and RIHousing in turn advanced the loan proceeds to the borrower. The advantage to the borrower includes lower cost of financing and RIHousing bears no financial risk in the transaction.

Unfortunately, work was halted in the 4<sup>th</sup> quarter of 2019 due to cost overruns. Citizens has been extending the note maturity over the past 12 months as the borrower has attempted to identify additional resources and complete the project. Ms. Berman stated that because the project was not placed in service by December 28, 2020, the borrower is no longer eligible for an allocation of federal low-income housing tax credits (LIHTCs) under the original bond issuance.

Ms. Berman then mentioned that the current cost overruns, estimated to be approximately \$3.5 million, are due primarily to structural deficiencies and historic compliance. The borrower and general contractor, March Associates Construction, Inc. (March), were not able to reach an agreement on overdue requisitions including retainage, costs to complete or a schedule to complete. Borrower and March are currently engaged in a lawsuit for breach of contract.

Borrower has engaged Parisault Builders Inc. (Parisault) at a cost of \$7,500 to prepare a detailed plan and cost estimate for completing construction. Parisault is a RI based firm that has worked on previous RIHousing financed projects and their proposal is due mid-January. Additionally, Parisault has indicated that they intend to retain many of the original subcontractors, which will lessen March's claim as it relates to the retainage that has been withheld.

Furthermore, the borrower has reached out to RIHousing regarding their eligibility for additional volume cap to facilitate an allocation of 4% LIHTCs. Development staff has communicated the importance of compliance with the qualified allocation plan (QAP) particularly regarding developer capacity. The borrower also plans to identify a partner with LIHTC experience who will serve as the managing partner. Citizens, along with Development staff, are reaching out to PHFA regarding the proposed development partner.

Ms. Berman acknowledged that the increase in the 4% credit rate will help the project bridge some of the cost overruns. The original federal historic tax credit investor, Enhanced Capital, wants to exit the partnership and be repaid for capital invested at closing; that exit will likely occur as part of a subsequent transaction. The anticipated capital stack to complete the project includes determining that the anticipated number of LIHTC units upon completion will be 45 (which is an increase from the original plan of 28). Citizens has now moved this project into their workout division and will continue to monitor the financial strength of the guarantor.

RIHousing bond counsel has advised RIHousing that any extensions of the note beyond December 28, 2020 will trigger a re-issuance of the bonds. Each reissuance of the bonds comes with requirements for a bond opinion, new 8038, updated 95-5 and other diligence and certifications. Moreover, multiple extensions will result in multiple re-issuances and additional legal fees. Because of the cost associated with a reissuance, Citizens determined that the most expedient course of action was to not extend the term of the note repayment past December 2020. As part of this approach, the balance of the unused bond proceeds, approximately \$1.5 million, was drawn down and deposited into a restricted account held by Citizens, such drawdown evidencing that the original \$9MM bonds have been fully funded.

Lastly, Ms. Berman said that when the borrower develops their new plan for completing the project, including but not limited to a new budget, new partners, commitment for a new back-to-back loan from Citizens or another lender, firm commitments from permanent lender and

syndicators, then it is likely that RIHousing will be asked to issue new volume cap. Ms. Berman stated that it was a lot information to digest and asked if anyone had any questions.

Committee Chairman Orth commented that the information was detailed and hopes that the project can proceed. The Commissioner did inquire about the overall liability risk to RIHousing.

Nicole Clement, General Counsel, responded that there is a limited liability to the corporation. RIHousing does not have any financial risk in the venture except for legal fees. The financial risk is minimal as Citizens holds the financing for Lippitt Mill. The only risk to RIHousing is reputational.

Commissioner Barry asked Ms. Berman the main reason for the delay. Ms. Berman explained that the borrower had to address structural deficiencies along with historical compliance challenges associated with the property. Lippitt Mill is one of the oldest wooden mills in Rhode Island therefore, there were several issues to tackle. Additionally, Ms. Berman believes that the developer and architect did not perform enough due diligence prior to focusing on the plans for the development of the property.

There were no votes taken regarding this item.

At this point in the meeting, at approximately 9:59 a.m., Ms. Ventura announced that Commissioner Tanner had to leave the meeting.

#### b. Workforce Housing

Mr. Shorter was pleased to report that the Workforce Housing Program was a 2019 innovation that has been productive and well received. Staff has awarded funding to two (2) projects; West Fountain Street and Parcel 6. Both projects are under construction and each project is slated to close by January 31, 2021.

Committee Chairman Orth commended staff on the progress and stated that he was pleased to see the construction activity taking place on Parcel 6. Commissioner Orth did ask if there were any major changes expected. Mr. Shorter and Ms. Berman responded that they are not aware of any changes. Ms. Berman did note that staff will review and perform due diligence on the financing and report if any changes are forthcoming.

Mr. Shorter announced that a RFP was released in January 2021 for the next Workforce Housing Program funding period and proposals are due March 5, 2021. The Credit Committee asked Mr. Shorter if any changes were made to the Workforce Housing Program. Mr. Shorter confirmed that no modifications were made.

Committee Chairman Orth inquired if staff has received feedback from the industry on the program. Mr. Shorter affirmed that comments received have been positive and highly promising. There has been a lot of interest in the funds and staff has engaged in numerous conversations with partners regarding the initiative.

There were no votes taken regarding this item.

c. Acquisition and Revitalization Program Summary

Eric Shorter introduced Eric Alexander, Assistant Director of Development/Housing Programs, who provided this update.

Mr. Alexander said that staff has fully committed \$10,000,000 in Acquisition and Revitalization Program (ARP) funds. Presently, seven (7) transactions have been closed and completed totaling \$3,593,109. An additional five (5) projects are under construction for a funding value of \$2,682,891. The remaining seven (7) projects totaling \$3,724,000 are in the closing stage.

Mr. Alexander then mentioned that Mill Race Commercial has been put on hold until the capital stack is completed, and 930 Pine Street should move to closing shortly.

Committee Chairman Orth commented that he is delighted that so many projects are completed and is extremely pleased with the Farm Fresh undertaking. The site is in a great location and the market has spurred a rebirth in the area. Committee Chairman Orth queried if staff believes that the money was put to good use and wondered if there were any challenges that needed to be addressed.

Mr. Alexander remarked that there were a few lessons learned, especially with such varied plans some of which were residential, commercial and public use. Staff felt that all the projects were successful, and it was satisfying to participate in such diverse production that positively impacted the neighborhoods.

Mr. Alexander stated that Farm Fresh and the Dexter Adult Center are amazing ventures that deliver major impact in the community that it is decidedly gratifying for staff to contribute in their developments process.

There were no votes taken regarding this item.

d. Plan for Increasing Multi-Family Production

Mr. Shorter and Mr. Comer reported on the Development Division's strategy for increasing multi-family production. Mr. Shorter began with the taxable refinance program saying that staff plans to identify projects within the 10-15-year window to ascertain viable candidates for refinance. They will determine eligibility for the program and work with the Finance Department on minimum loan threshold to meet program requirements. Moreover, staff is updating the preservation pipeline to identify developments near or passed the end of their initial 15-year compliance period. They will also reach out to owners to pinpoint potential strategies by project based on developer capacity, and on the physical and financial health of the development. The focus will be on taxable refinance along with how to utilize the Capital Magnet Fund (CMF) and the 4% tax credits more effectively, and to bond a fair amount of the transactions. Staff meets regularly to identify problems, strategize on ways to proactively source financing and to keep the phones ringing in the office for ongoing business opportunities.

To that end, the Development staff works closely with the Asset Management Department to reach out to owners to address issues as they arise. Staff also communicates regularly with partners

such as The Housing Network. Mr. Comer confirmed that he has weekly meetings scheduled with The Housing Network affiliates to assist with resources, provide guidance and advice, as needed. Staff has also reached out to property owners to build and strengthen relationships. Historically, Mr. Shorter and Ms. Berman have been the primary contacts in building relationships, however, Mr. Comer and Mr. Shorter are encouraging the entire Development team to connect with customers, borrowers and interested entities to build lasting relationships.

Challenges are always present in bridging gaps in funding sources and more subsidies are needed, but staff is exploring all options and resources available.

There were no votes taken regarding this item.

At this point in the meeting, at approximately 10:30 a.m., Ms. Ventura announced that Commissioner Tanner had returned to the meeting.

e. RIHousing Portfolio Delinquency and Tenant Eviction Update

Michael DiChiaro, Assistant Director Development/Asset Management & Compliance, gave a presentation on the RIHousing's multi-family delinquency portfolio.

Mr. DiChiaro was extremely pleased to report that the multi-family loan portfolio continues to maintain zero (0%) delinquency rates. In the past eighteen (18) months, the Asset Management team has not reported any delinquencies in the portfolio. Mr. DiChiaro congratulated his staff and Ms. McKnight's loan servicing team on performing a fantastic job in collaborating to mitigate delinquencies.

Staff will soon begin to analyze 2020 financial statements and expects to have a report ready to share in late spring or early summer. Furthermore, the Asset Management team has identified a new software that will help automate this process and expects to engage a vendor in the next thirty (30) days. The new software will automate the process in analyzing data and reduce duplication. Mr. DiChiaro mentioned that staff is looking forward to the new efficiencies.

Next, Mr. DiChiaro gave a brief overview of the 2019 financial highlights and his observations for 2020. In 2019, the Asset Management team reviewed eleven (11) audits, released \$26M in surplus cash, processed \$835K for RIHousing deferred debt and allocated \$1.8M in repayment to the Affordable Housing Trust Fund.

In 2020, RIHousing did not have any forbearance agreements, remained flexible in negotiating reserve and deferred debt repayment requirements while also increasing tenant rent receivables from 2<sup>nd</sup> to 3<sup>rd</sup> quarter 2020. Also, staff has disbursed over \$500K in HousingHelp RI funds to 56 RIHousing financed properties, which helped to control accounts receivable and reduce evictions.

Finally, Mr. DiChiaro mentioned that his team has pulled some data from Rhode Island District Court on evictions and noted that research shows that there are 655 pending eviction hearings. Approximately 40-50 of those pending evictions are at RIHousing financed properties. Mr. DiChiaro informed the Committee that between HousingHelp RI assistance and RIHousing's

endeavors, he does not expect to see a huge number of evictions. He remarked that staff is cautious, remains vigilant and prepared to address any unanticipated problems.

Committee Chairman Orth thanked Mr. DiChiaro for the information and commended him on an outstanding summary.

Leslie McKnight, Deputy Assistant Director of Loan Servicing, next apprised the Committee on the single-family portfolio.

Ms. McKnight began by informing the Committee that the Corporation saw a 16.4% increase in overall delinquency rates in December 2020.

Approximately 67% of borrowers have requested forbearance assistance totaling 2016 requests. Of those requests, 1312 remain in forbearance. 64% of those borrowers in forbearance will remain in that status for four (4) additional months until they reach the end of their maximum 12-month forbearance period. Fifty-eight (58) of the borrowers have been approved to receive Hardest Hit Funds (HHF) funds for a total of \$485,000. Eight (8) additional applications for HHF funds are pending.

In closing, Ms. McKnight confirmed that the eviction moratorium has been extended, and there is the possibility that it will be extended again. Even if the moratorium is not extended, RIHousing will continue to work with borrowers to address the situation.

Chairman Retsinas said that the Loan Servicing Division has done a great job managing the delinquencies. He has a monthly meeting with Ms. McKnight and team to review and address delinquencies. During that call, a full report on the status of delinquencies, forbearances and evictions is presented and evaluated.

Committee Chairman Orth thanked Ms. McKnight for the presentation.

There were no votes taken regarding this item.

Ms. Ventura then informed the Committee that she wanted to give a quick update on the status of staff's research on the broadband (Wi-Fi) initiative.

Nicole Clement, General Counsel, advised the Committee that a voice vote was acceptable to include a discussion regarding broadband access to the agenda.

Ms. Clement then asked for a vote to include the broadband topic to the agenda for discussion purposes only. Ms. Clement then stated that the addition of a broadband update was approved.

Ms. Ventura announced that RIHousing has been communicating with Cox Communications on connectivity and costs of wiring RIHousing developments for internet service. Staff anticipates that Cox will have the information within a week. A meeting has been scheduled for January 20, 2021 to review and discuss various options available to the Corporation. Once Ms. Ventura has the required details, she will share that information with the Committee. Staff has also met with the Governor's office and will continue those conversations.



Mr. Comer and Stacy Wasserman, Manager, Projects, have been working on the RFP for broadband services and have engaged an intern from Brown University to research best practices to incorporate in the QAP. Mr. Comer also mentioned that he has reached out to The Housing Network for help and support.

Briefly, Ms. Ventura shared that on the national level HFAs are more focused on rental assistance and how those funds can be deployed. The broadband topic may become top priority once rental assistance needs have been met.

Commissioner Tanner mentioned that her office is actively involved in the broadband conversation and advised staff to coordinate with her office of innovation for assistance.

Chairman Retsinas thanked Ms. Ventura and the team on their efforts in addressing the initiative. The Chairman noted that the National Council of State Housing Agencies (NCSHA) just issued a bulletin on the broadband conversation. He noted that it was an important topic that has been brought to national attention during this pandemic.

Committee Chairman Orth also expressed his appreciation for the update.

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 Chairman Retsinas and seconded by Committee Chairman Tanner 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 Tanner | Aye |
| Commissioner Barry  | Aye |

The meeting was adjourned at 10:46 a.m.

In closing, Committee Chairman Orth thanked everyone for their time.

Respectfully submitted

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Carol Ventura, Secretary and Executive Director