

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
June 7, 2023

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on June 7, 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 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 9:35 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; Sara Cabral, Designee for Elizabeth Dwyer, Director of the Department of Business Regulation, and Maria Barry.

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; Seth St. Jean, Real Estate Development Officer; Tony A’Vant, Assistant Director of Design and Construction; Michael DiChiaro, Director of Leased Housing and Rental Services; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on May 10, 2023

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on May 10, 2023. A motion was duly made by Commissioner Barry 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 May 10, 2023.

The Commissioners unanimously voted to approve the minutes.

Ms. Myers then stated that the following was adopted:

VOTED: That the minutes of the Credit Committee Meeting held on May 10, 2023, are hereby approved.

2. Recommendation for Firm Approval of Financing for Bernon Mills (Woonsocket)

Committee Chairman Orth announced that Seth St. Jean, Real Estate Development Officer would give the presentation for Bernon Mills.

Mr. St. Jean began by saying that the request was for firm approval of: (i) a RI Housing tax-exempt financing in an amount not to exceed \$13,000,000; (ii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$2,790,000; (iii) a Capital Magnet Fund (“CMF”) Loan in an amount not to exceed \$300,000; (iv) a Community Revitalization Program (“CRP”) grant in an amount not to exceed \$1,838,250; and (v) a Rhode Island Rebounds Production Fund (“RI Rebounds”) Loan in an amount not to exceed \$500,000 for Bernon Mills (hereinafter referred to as “BM or the “Development”). Brisa Ventures LLC is the developer (the “Developer”). The Development received preliminary approval from the Board of Commissioners on May 19, 2022 and May 18, 2023 (“Preliminary Approval”).

BM is a historic mill located in Woonsocket, which will be redeveloped into 60 units of rental housing. Utilizing income averaging, all units will be restricted to households with incomes at or below 80% of Area Median Income (“AMI”). There will be a mix of efficiency, one-bedroom, and two-bedroom units. The Development is receiving five HUD Section 811 vouchers from RI Housing.

BM is recorded as Woonsocket Company Mill Complex on the National Register of Historic Places and was originally built in 1827 for the manufacturing of cotton by the Russell Manufacturing Company. Prior to Developer’s involvement, BM went through several failed redevelopment attempts including an effort to bring the Mills back to manufacturing use and, most recently, a 2012 condominium redevelopment that was abandoned and left incomplete by the previous developer due to financial hardship.

BM consists of three historic buildings, two of which are in very poor condition primarily due to water infiltration, a collapsing and exposed roof, missing and broken windows, and deteriorating mortar between the exterior granite walls. The third building is a partially finished condominium building with 12 occupied units that were converted to rentals several years ago. Since Preliminary Approval, construction costs have increased, and the Developer has undertaken value engineering to address these escalating costs. To pay for the escalations, the Developer was able to secure an increase in LIHTC credit pricing to generate an additional \$1,500,000 in credits and they are also leveraging additional amortizing debt. In addition, the Developer secured a CRP grant in May 2023 to replace

state historic tax credit equity which was lost due to changes in the state historic tax credit program that required prevailing wages.

The proposed capital structure for BM will consist of proceeds from the tax-exempt financing, sale of 4% low-income housing credits (“LIHTCs”), Building Homes Rhode Island Funds (“BHRI”) previously awarded by the State of Rhode Island Housing Resources Commission, HPF funding, CMF Funding, RI Rebounds funding, a CRP grant, Federal Historic Tax Credit equity, a sponsor loan, and a deferred developer fee.

The Developer has secured construction and permanent financing through Bank of America (“BOA”). BOA will purchase the tax-exempt bonds issued by RIHousing in a Private Placement through BOA’s “End-to-End” program. The loan will be non-recourse to RIHousing with BOA assuming all financial risk.

Alliant Capital LLC will be the syndicator and is paying \$0.95 per credit, which constitutes an increase of \$1,497,190 of total LIHTC equity proceeds since Preliminary Approval.

Finally, Mr. St. Jean said that staff is recommending firm approval of (i) \$13,000,000 in tax-exempt financing (ii) a HPF Loan in an amount not to exceed \$2,790,000; (iii) a CMF Loan in an amount not to exceed \$300,000; (iv) a CRP grant in an amount not to exceed \$1,838,250; and (v) a RI Rebounds Loan in an amount not to exceed \$500,000 for Bernon Mills, subject to certain conditions.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Bernon Mills (Woonsocket).

Commissioner Barry recused from the discussion or vote of this application as her employer, Bank of America, is involved in financing the development.

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

Committee Chairman Orth acknowledged the tight capital structure of the financing. He recognized that it is a challenging project; however, it is well conceived. It has a particularly good financial structure.

The Committee Chairman also mentioned that there’s a fairly healthy debt service coverage and asked how many years before the developer fee is fully paid out. Mr. St. Jean responded that in year 10 the fee should be paid off.

Ms. Berman remarked that staff would review the matter and confirm the information for the Committee.

Committee Chairman Orth wanted to ensure that the property was not over subsidized. Ms. Ventura explained that there are quite a few efficiency units in the development.

Commissioner Designee Cabral referenced the 12 rental units outlined and wanted to know if that number is included as part of the total amount of units for the development. St. St. Jean confirmed that the rental units are accounted for in the total number of units the development offers.

There being no additional comments or questions, Corinne Myers, General Counsel conducted a voice vote of the Commissioners. The commissioners voted to approve the motion with two (2) votes in favor, Commissioner Barry recusing and (0) nay votes.

Ms. Myers then officially stated that the recommendation for Firm Approval of Financing for Bernon Mills (Woonsocket) was approved.

3. Recommendation for Approval of Transfer of Physical Assets (TPA) for Wickford Village (Wickford)

Committee Chairman Orth asked Dean Harrison, Assistant Director of Real Estate Development to proceed with the presentation.

Mr. Harrison began by noting that the request is an administrative action. He then said that the request was for approval of the transfer of the limited partnership interest in Wickford Village (the “Development”), an affordable housing development for individuals and families located North Kingstown.

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

The Development is a 129-unit affordable housing development located in North Kingstown. The Development receives the benefit of a Section 8 project-based Housing Assistance Payments contract (the “HAP Contract”) from the U.S. Department of Housing and Urban Development (“HUD”) which subsidizes all but five of the Development’s units.

The owner of the Development is Wickford Village Realty, LP. The current general partner of the Development is Wickford Village Development Corporation which holds a .009% interest in the partnership. The two current investor limited partners in the Development are Nationwide Affordable Housing Fund 32-Apollo Tax Credit Fund, L.L.C., a Delaware limited liability company, and RBC Community Investments Manager II, Inc., a Delaware corporation (collectively, the “Transferor”). The Transferor holds a 99.991% limited partnership interest. The Transferor intends to withdraw and sell its partnership interests (the “Partnership Interests”) to WV Limited Partner 23, LLC (the “Transferee”). The principals of the Transferee entity will be Jacquelyn E. McDonald and Francis J. Spinella, who will each hold a 50% interest in WV Limited Partner 23, LLC.

The Transferee will pay the sum of \$855,000 to purchase the Partnership Interests. A related RFA is being presented to the Affordable Housing Trust Fund (“AHT”) to provide a taxable second mortgage to finance this purchase. The Transferee will assume all existing obligations encumbering the Development, including a RIHousing first mortgage as well as an AHT cash flow loan. The initial compliance period for the Development ended in December 2022 and the financial benefits of the tax credits and depreciation losses have been substantially realized by the Transferor. Accordingly, the Limited Partner and Special Limited Partner are seeking to withdraw from the limited partnership and transfer their interests.

The current property manager is North Dartmouth Properties, Inc., of which Jacquelyn E. McDonald is the principal. No change in the management agent is contemplated. The Development's most recent REAC score was 85 and it received a rating of Satisfactory on its last MOR. According to those REAC and MOR scores, the Development has been well-maintained. The Transferee has indicated that they plan a resyndication within the next year.

Committee Chairman Orth thanked Mr. Harrison for the presentation and asked for a motion and a second for Approval of Transfer of Physical Assets (TPA) for Wickford Village (Wickford).

A motion was duly made by Commissioner Barry and seconded by Commissioner Designee Cabral.

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

Committee Chairman Orth inquired what the debt service coverage is for the property. Mr. Harrison stated he would research the matter and report back to the Committee Chairman. Mr. Harrison did inform the Committee that the development is doing well, has a REAC score of 85 and a satisfactory MOR ranking by Asset Management. The property is well-maintained. Additionally, a new septic system was recently installed for the property.

Ms. Berman elaborated by saying that the developer is repositioning the property. The operating expenses are relatively high but the owner is looking at long term solutions including a mark up to market rent increase to reset the rents. The property could use some improvement, but it is a solid, stable family development situated in a fantastic location. Ms. Berman did note that the combined debt service coverage for the existing debt and new debt must be equal to or exceed 1.15.

Mr. Harrison also mentioned that rent increases have been approved effective July 2023.

Michael DiChiaro, Director of Leased Housing and Rental Services confirmed that the debt ratio for the property is 1.28.

There being no further discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

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

4. Recommendation for Approval of Proposed 2024 Qualified Allocation Plan (QAP)

Committee Chairman Orth announced that the recommendation for the proposed 2024 Qualified Allocation Plan was withdrawn from the agenda.

Ms. Ventura stated that the Department of Housing is reviewing the proposed Qualified Allocation Plan and requested additional time to provide comments on the draft QAP. Therefore, staff is recommending scheduling another Credit Committee in July for review with the goal of presenting the final Plan to the Board of Commissioners in August.

- 5. Discussion:
 - a. Pipeline Report

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

Ms. Berman began by saying that the pipeline is quite robust, especially as a considerable number of the projects were approved at the May 18, 2023 Board meeting. The list is impressive and staff has initiated meetings with the developers to schedule pertinent deadlines to move the projects forward. That includes coordinating ordering appraisals, completing capital stacks with external financing and to flush out any potential obstacles.

Ms. Berman was happy to report that staff closed on three (3) transactions in the past week including Parcel 9. Other projects are in various stages of closings with West House expected to close the following Monday or Tuesday along with Frenchtown Road. Millrace is also closing soon. Copley Chambers has completed its capital stack and will move to closing in short order.

Commissioner Barry asked if RIHousing has a firm deadline in place regarding closings. Ms. Berman explained that the QAP readiness-to-proceed guidelines mandate that the development must move to firm commitment within nine (9) months and close within 12 months. Sometime extenuating circumstances warrant different timing. Staff is stressing that as housing is urgently needed and construction pricing can be fickle, the sooner the projects close the better. The ARPA dollars have a firm schedule; therefore staff is empathizing the required deadlines.

Commissioner Barry felt that the timeline is reasonable. She mentioned that other states dictate a six (6) month closing deadline. Ms. Berman said that staff is hesitant to issue a shorter deadline. Especially as many non-profit developers do not have the resources or cash reserves for exploratory upfront expenses. However, the Predevelopment Program funds should help in that regard and projects can close within six (6) months.

As time is money, staff and developers will need to figure out the logistics for the best possible outcome.

Committee Chairman Orth noted that some subsidy sources have specific deadlines of fewer than nine (9) months. Ms. Ventura agreed noting that Millrace must close by August 31.

Commissioner Barry congratulated RIHousing and staff on the impressive financing opportunities. She said that it is an exciting time for the Corporation.

Committee Chairman Orth requested an update on Barbara Jordan II. Ms. Berman said that Barbara Jordan II is a scattered site development that is doing well. Some of the sites have received their Certificate of Occupancy (CO) certifications and others are scheduled for this month. The project is not behind schedule, but Ms. Berman said it has experienced some delay. Most of the delay is due to the acquisition of meter boxes and the procurement of elevators. The development looks fantastic and has truly transformed the neighborhood.

Ms. Ventura informed the Committee that a neighborhood celebration is scheduled for September. Sharon Morris, Executive Director of Omni Development is working with the Communications department on the coordination for the celebration. Details will follow.

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 Commissioner Designee Cabral to adjourn the meeting.

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

The Commissioners unanimously voted to adjourn the meeting at approximately 9:57 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted,

Carol Ventura
Secretary and Executive Director