

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

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Wednesday, March 10, 2021 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (extended by Executive Order 21-21, 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 21-21 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 their 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 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; Nicole Clement, General Counsel; Anne Berman, Assistant Director of Development; Micahel Liberatore, Senior Real Estate Development Officer; Jeffrey Swanson, Development Officer; Milton Baxter, Development Officer; and Carl Rotella, Director of Information Technology.

The following matters were discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on February 10, 2021

Committee Chairman Orth asked for a motion and a second for the approval of the Credit Committee minutes held on February 10, 2021. A motion was made by Chairman Retsinas and seconded by Commissioner Barry. There being no discussion, Nicole Clement, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner 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 February 10, 2021 are hereby approved.

2. Recommendation Firm Approval of Financing for Securing the Future/Building the Dream (Woonsocket)

Committee Chairman Orth introduced Milton Baxter, Development Officer, who gave the presentation.

Mr. Baxter explained that the request is for firm approval of a RIHousing first mortgage in the amount of \$350,000 and a Capital Magnet Fund loan in the amount of \$750,000 for Securing the Future/Building the Dream (the “Development”). The borrower is also requesting a Preservation Loan Fund Program loan (“PLF”) in an amount up to \$1,500,000 from the Affordable Housing Trust Fund. NeighborWorks Blackstone River Valley is the developer (“NWBRV” or the “Developer”).

This is the refinance of 2 separate post 15-year LIHTC projects, Securing the Future/Building the Dream, both of which are in Woonsocket. Both projects are 100% affordable, restricted to households earning up to 60% of area median income (AMI).

Securing the Future (“STF,” aka Constitution Hill II/III) was developed in 1998. It contains 46 units in 13 buildings. Building the Dream (“BTD,” aka Constitution Hill IV) was developed in 2002. It contains 19 units in 7 buildings. The primary sources of financing for both transactions were low-income tax credits (“LIHTC”), a small amortizing loan, a RIHousing Targeted Loan, HOME Program funds, Lead Program funds and sponsor loans. Each of the buildings was substantially renovated. National Equity Fund (“NEF”) was the original limited partner in both deals. NWBRV contemplates merging STF and BTD into a single limited partnership. The merger of these 2 limited partnerships will serve to preserve the affordability of the units and to create stronger economies of scale for the rehabilitation and maintenance of the units.

NWBRV will merge BTD into SFT and NEF will transfer its limited partnership interest in both deals to an affiliate of NWBRV. STF will be the surviving entity. NWBRV intends to undertake approximately \$35,000/unit of rehabilitation in the Development.

Mr. Baxter noted that the vacancy rate of 3% where 5% is standard and that the year 15 DSCR is below 1.15, which is a deviation from standard underwriting; however, there is a revenue deficit reserve that is sized to keep the DSC positive to year 18 of the loan.

Committee Chairman Orth thanked Mr. Baxter for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Securing the Future/Building the Dream (Woonsocket).

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

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

Commissioner Barry commented on the addition of the rollover of soft debt and asked if staff was able to locate enough funding to make the rehabilitation work. Mr. Baxter confirmed that the developer was able to close the funding gaps.

Commissioner Barry also noted that as there is only moderate rehabilitation proposed, the development appears to be well kept and in good shape. Mr. Baxter agreed, explaining that the developer is performing select internal updates depending on unit conditions. The bulk of the work is for the exterior, which will extend the life of the development.

Committee Chairman Orth mentioned that at preliminary approval, it was reported that the Development underperformed on the rent projections, mentioning that the sponsor was wary of raising the tenants' rents. Mr. Baxter replied that Development staff analyzed the current rents. He confirmed that NWBRV is particularly sensitive to households that struggle with the current rent amounts and are concerned about raising the rents. However, RIHousing's commitment is contingent on the developer implementing a plan to raise the rents to levels that sustain operations and debt service at required levels to underwrite the proposed transaction. To that effort, the NWBRV does have a two (2) year plan in place to gradually increase rents.

Committee Chairman Orth asked what percentage of the cash flow will be applied to the preservation loan. Mr. Baxter responded that 70% of the cash will be directed to the preservation loan.

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

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement stated that the recommendation for Firm Approval of Financing for Securing the Future/ Building the Dream (Woonsocket) was unanimously approved.

3. Recommendation for Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) for Paragon Mill (Providence)

Committee Chairman Orth introduced Michael Liberatore, Senior Real Estate Development Officer, who presented the request.

Mr. Liberatore stated this request is for firm approval of a reservation of up to \$1,108,117 of 2020 low-income housing tax credits (“LIHTC”) for the Paragon Mill (the “Development”), a 101-unit rental housing development located in Providence. The developer is The Alexander Company, Inc. (“TAC” or the “Developer”), a Wisconsin based for-profit developer with a portfolio of mixed-use housing and historic redevelopments in Maryland, Virginia, Iowa, Missouri and Wisconsin.

TAC proposes an adaptive reuse and environmental clean-up of the historic Earnsccliffe & Paragon Worsted Mills located adjacent to the Woonasquatucket River in the Olneyville neighborhood of Providence. The Development would create a total of 101 new residential units of which 44 units would be restricted for households at or below 60% of the area median income (“AMI”) and the remainder of the units would be restricted to 120% AMI.

The Paragon Mill rehabilitation faces a higher level of construction risk than other developments due to unforeseen issues that may be exposed in the weathered structure during the construction process as well as environmental site work and hazardous material abatement. As laid out in the Remedial Action Work Plan (“RAWP”) currently filed and awaiting approval by RIDEM, the developer will mitigate soil contamination below the structure with the installation of a sub slab mechanical ventilation system. Additional geotechnical test pits were ordered at the end of February to mitigate the risk associated with the installation of new underground utilities in the parking area. The TAC principals will personally guaranty the construction completion and loan repayment through conversion. Since RIHousing is not the lender, it bears no financial risk. Mr. Liberatore reiterated that the risk is purely reputational.

Committee Chairman Orth thanked Mr. Liberatore for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) for Paragon Mill (Providence).

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

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

A brief dialogue followed with Chairman Retsinas inquiring if staff has previously partnered with this developer or contractor. Mr. Liberatore confirmed that fact, saying that staff has worked with the contractor and reference checks have been positive. Furthermore, the developer has successfully executed other mixed income projects. Ms. Berman, Assistant Director of

Development, elaborated that external counsel has also dealt with the developer with very positive results.

The Committee also discussed the per unit price and ask if it was a ceiling for RIHousing's guidelines. Mr. Liberatore said that the price is close to the maximum of \$375,000. Mr. Retsinas inquired if the ceiling was higher would additional proposals have been submitted for the project. Mr. Liberatore reported that RIHousing's is only providing LIHTC for the Development. Additionally, Mr. Liberatore stated that RIHousing's concern is to keep the bids competitive. Noting that the unit costs have been affected by a substantial increase in lumber costs, the cost of the environment remediation issue, and costs associated with the COVID pandemic.

Committee Chairman Orth noted that as most of the increase in cost are being absorbed by other parties, he is excited to see this project moving forward.

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

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

Commissioner Orth	Aye
Chairman Retsinas	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement then stated that the recommendation for approval of Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) for Paragon Mill (Providence) was unanimously approved.

#### 4. Recommendation for Firm Approval of Financing for Sutton Place (East Providence)

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

Mr. Swanson stated that this request is for firm approval of a taxable permanent mortgage loan of up to \$1,885,000, a HOME Investment Partnerships Program ("HOME Program") loan of \$1,392,497 and a Housing Trust Fund ("HTF") loan of \$1,189,921 for Sutton Place (the "Development") located in East Providence. Olneyville Housing Corporation d/b/a ONE Neighborhood Builders ("ONENB" or the "Developer") is the developer. The Developer is also requesting a loan from the Preservation Loan Program Fund ("PLPF") in the amount of \$1,080,000 through the Affordable Housing Trust Fund ("AHT"). Preliminary approval of Sutton Place was granted by the Board of Commissioners on September 17, 2020.

The total development cost at the time of preliminary approval was \$5,243,321. Since preliminary approval, the cost has increased to \$5,896,573. The higher cost has been primarily covered with an increased permanent loan and the addition of cash flow from operations to the capital stack.

This transaction will preserve 36 naturally affordable but currently unrestricted apartments in East Providence. The planned upgrades will make the building safer and more comfortable for residents while also improving the street appeal to attract households up to 80% of area median income (“AMI”).

The total development cost is approximately \$5,895,000 and has increased 12% since preliminary approval. Construction and contingency costs increased \$608,000 due to the discovery of various latent defects and code issues during the due diligence period. Soft costs increased \$125,000 primarily due to: (i) increases in architecture, (ii) construction loan interest, and (iii) the inclusion of relocation expenses. The higher cost is covered with a larger permanent loan, a reduced acquisition price, and use of funds from operations as a source in the capital stack.

The permanent loan will be interest only during construction and will convert to principal and interest payments upon completion of construction and receipt of a FHA Risk-Sharing Program endorsement. The permanent loan will be amortized over 40 years with a 40-year term.

The proposed capital structure for the Development will consist of (i) permanent financing from RIHousing; (ii) a HTF loan; (iii) a HOME Program loan; (iv) a PLPF loan; (v) waterfront funds from the City of East Providence; and (vi) cashflow from operations.

Additionally, the transaction involves the rehabilitation of existing units. The current owner is not permitting destructive testing, so there is the possibility that latent defects will be discovered post-closing. To mitigate this risk only 15% of the developer fee will be paid at closing, with the remainder of the fee available as additional contingency if the construction/contingency budget is insufficient. The permanent loan will be insured through the FHA Risk Sharing Program.

In closing, Mr. Swanson said that the City of East Providence is excited about the proposal because it allows the City to meet its affordable housing goal.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Sutton Place (East Providence).

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

A discussion ensued with Committee Chairman Orth observing that most transactions are categorized as preservation, some without tax credits, others run the spectrum of urban new construction utilizing 9% credits, other deals require heavy subsidies for acquisition and rehabs with 4% credits. Committee Chairman Orth wondered if Paragon Mills should be classified as a preservation deal. Committee Chairman Orth wanted to know how the development can be a preservation transaction without the inclusion of tax credits. Most preservation deals include 70% debt and 30% equity. However, this transaction is the reverse with 30% hard debt and 70% soft sources. Eric Shorter, Director of Development, commented that he appreciated Commissioner Orth’s observations and that they had evaluated the project and deemed it to be a preservation transaction.



Chairman Retsinas	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the Firm Approval of Financing for Sutton Place (East Providence) was unanimously approved.

5. Discussion:
  - a. Pipeline Report

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

Mr. Shorter said that the Development Division has been extremely busy. Staff has been engaged in reviewing the eleven (11) proposals received for the Low-Income Housing Tax Credits (LIHTC) Program awards. Mr. Shorter commented that he believes the recommendations will be presented at the June board meeting.

Moreover, Friday, March 5 was the deadline for the submission of Workforce Housing Program proposals. Mr. Shorter confirmed that ten (10) proposals geographically diverse, were received requesting a total \$12 million in funding.

Next, Mr. Shorter shared that the Development Division has twelve (12) new deals in the underwriting stage that will result in the construction of 1100 affordable units. Those transactions are in various stages of the underwriting process.

Committee Chairman Orth remarked that he is aware of the meeting that Chairman Retsinas and Mr. Shorter had with two developers regarding the workforce housing program. The developers noted that they expressed some concern regarding the extra legal expense associated with these transactions.

Mr. Shorter stated that those conversations were very candid and noted that there is extra effort associated with the documentation for the program. This is a relatively new area of funding for RI Housing with a learning curve as the process is streamlined. It necessitates a bit of time to establish an effective system. Moreover, both transactions were unique in nature, which produced some unanticipated costs. Some of the other fees associated with the increase can be attributed to the delays on the developer's end along with the cost of doing business. Staff will continue to work to establish effective and cost-effective practices for these transactions.

James Comer, Deputy Executive Director, mentioned that it's important to note that this is a new program. These deals are different from the LIHTC transactions, therefore it's an evolving process. Mr. Comer remarked that it's gratifying to have the feedback from developers and appreciated the thoughts expressed during the meeting.

Nicole Clement, General Counsel, remarked that Mr. Comer and Mr. Shorter appropriately addressed the issue. She added that staff has spoken to outside legal counsel to properly articulate



the specific needs of the program and transaction. Ms. Clement plans to explore the matter to determine what is required to efficiently roll out these deals.

Commissioner Tanner asked Ms. Clement to clarify if the legal firm is a Boston firm. Ms. Clement confirmed that the firm is based in Boston. She also noted that RIHousing has a diverse roster of legal firms to address various needs of the corporation ranging from mid to large law firms. Depending on the level of expertise required for transaction, RIHousing retains a broad spectrum of external counsel to support those areas.

Chairman Retsinas pointed out that he requested the meeting with the developers and reiterated that it was a productive and candid discussion. Obviously, as with any new venture, there are some growing pains associated with logistics. Chairman Retsinas suggested that a follow-up discussion would be prudent.

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 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 10:36 am.

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

Respectfully submitted

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Carol Ventura, Secretary and Executive Director