

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

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

Kara Lachapelle, Chief Financial Officer, opened the meeting and introduced Carl Rotella, Director of Information Technology, who outlined the parameters of the meeting.

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

Next, Corinne Myers, General Counsel, provided additional guidance for the meeting. Ms. Myers stated that the meeting was being held in person with all members of the Credit Committee appearing in person and specific RIHousing staff participating via teleconference. Members of the public were invited to access the meeting in person or via teleconference according to their preference. Additionally, members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Myers also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff member state their name prior to speaking for the benefit of listeners and to mute the phone when not speaking. She then invited Committee Chairman Orth to call the meeting to order.

A quorum being present, Committee Chairman Orth introduced himself and officially called the meeting to order at approximately 9:32 a.m. Committee Chairman Orth then invited Ms. Lachapelle to proceed with the roll call of Commissioners in attendance.

Ms. Lachapelle conducted a roll call of Commissioners participating in the meeting. Commissioners participating were: Committee Chairman Orth and Sara Cabral, Designee for Elizabeth Dwyer, Interim Director of the Department of Business Regulation. Maria Barry was absent.

RIHousing staff participating were: 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; Stephanie Booker, Real Estate Development Officer; Tony A’Vant, Assistant Director/Design & Construction; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on February 8, 2023

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on February 8, 2023. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth.

There being no discussion, Committee Chairman Orth conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on February 8, 2023. The Commissioners unanimously voted to approve the minutes.

Committee Chairman Orth then stated that the following was unanimously adopted:

VOTED: That the minutes of the Credit Committee Meeting held on February 8, 2023, are hereby approved.

2. Recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Parcel 9 I & II (Providence)

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

Mr. St. Jean began by saying that the request was for firm approval of a reservation of 2022/2023 9% Low-Income Housing Tax Credits (“LIHTC”) in an amount not to exceed \$515,987, as well as firm approval of; (i) a HOME Investment Partnerships Program (“HOME”) Loan in an amount not to exceed \$1,217,478; and (ii) a Housing Trust Fund (“HTF”) Loan in an amount not to exceed \$1,230,880 for Parcel 9 I (“Parcel 9 I”). This RFA is also seeking firm approval of: (i) a RI Housing tax-exempt construction loan in an amount not to exceed to \$8,200,000; and (ii) a Housing Production Fund (“HPF”) Loan in an amount not to exceed \$676,574 for Parcel 9 II (“Parcel 9 II” and together with Parcel 9 I, “Parcel 9 I & II” or the “Development”). Pennrose, LLC is the developer (the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on April 21, 2022 and June 16, 2022 (“Preliminary Approval”).

Parcel 9 I & II is a new construction, mixed-use, mixed-income development on a currently vacant parcel at the edge of the Fox Point neighborhood in Providence. The Developer has a purchase option with the I-195 Redevelopment District for the property. The project is a “twinning” deal that will include both a 4% and a 9% LIHTC partnership. Parcel 9 I will provide 37 units and Parcel 9 II will provide 29 units and a childcare facility. The projects must be completed simultaneously as all the new units are in a single building.

The Developer is proposing a 66-unit building for the Development utilizing a condominium structure. Parcel 9 I will consist of 15 units between 30% - 60% of area median income (“AMI”) and 22 market rate units. Parcel 9 II will consist of 29 units, 100% of which will be LIHTC units, between 30% - 60% AMI. Parcel 9 was awarded eight project-based vouchers (“PBVs”) through the Providence Housing Authority to be utilized on Parcel 9 I. Parcel 9 II will benefit from six U.S. Department of Housing and Urban Development 811 vouchers. The Developer has received final plan approval from the I-195 Redevelopment District Commission, and the I-195 District staff have affirmed the proposed structuring and unit/affordability mix proposed in the financing application.

The Developer has partnered with Children’s Friend and will construct a Head Start daycare facility on the first floor of the proposed building. While this facility will be part of the residential Parcel 9 II condominium, the childcare facility will be funded separately.

Since preliminary approval, construction costs have increased, and the Developer has undertaken value engineering to address these escalating costs. The Developer was awarded Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission, a Federal Home Loan Bank of Boston grant, and Trust Funds from the City of Providence to help offset those increased costs. The unit configurations between Parcel 9 I & II were also revised to generate increased LIHTC equity. In addition, the Developer conducted a third-party utility allowance study and has received approval to use the proposed utility allowance fees for all LIHTC, Section 811, and PBV units.

The Developer has secured permanent financing through Cedar Rapids Bank & Trust for Parcel 9 I. National Equity Fund (“NEF”) is the LIHTC syndicator for both transactions. Construction financing is secured from Millennium Corporation, a Massachusetts corporation and a wholly owned subsidiary of Eastern Bank (“Eastern”), on both Parcel 9 I & II. For Parcel 9 II, Eastern will purchase the tax-exempt bonds issued by RIHousing in a Private Placement. The loan will be non-recourse to RIHousing with Eastern assuming all financial risk.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Parcel 9 I & II (Providence).

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

A brief discussion followed with Commissioner Designee Cabral noting the increase in costs for the project. She asked if the primary reason for the increase was escalating construction costs or due to some other matter. Mr. St. Jean responded that 80% of the increase is due to construction costs. Moreover, since preliminary approval changes have been seen in financing with regard to interest rate fluctuations.

Commissioner Designee Cabral then wanted to know if the developer provides a list detailing where costs have increased. Mr. St. Jean verified that the developer supplies that information. Staff meets regularly with the development team and general contractor to discuss changes. Additionally, Design and Construction diligently reviews costs for value engineering. Mr. St. Jean stressed that Design and Construction furnishes an extensive review of any changes.

Tony A’Vant, Assistant Director of Design and Construction confirmed that costs have increased significantly. The developer went through an extensive value engineering process and was able to trim \$1.1 million from the deal. Mr. A’Vant pointed out that construction costs have increased 15.5% from the previous year. In the last two (2) years, construction costs increased 28.6%. Furthermore, the project required mandatory street lighting, sidewalks, façade treatments, the addition a roof garden and courtyard, a daycare center and solar panels as part of the I-195 design requirement. Those expenses along with environmental soil remediation have increased costs. However, the development is high performing, energy efficient and the developer has done an exceptional job detailing where costs have escalated.

James Comer, Deputy Executive Director, mentioned that it's been a collaborative and inclusive effort between the owner and RI Housing on strategizing where alterations could be made to reduce costs. Participants have taken responsibility to minimize expenses. The developer has also deferred fees to streamline costs.

Mr. A'Vant further explained that staff routinely sit down with developers to discuss standard practices and make determinations about best practices to minimize costs for maximum benefit.

Commissioner Designee Cabral speculated that it's more extensive to construct on the I-195 corridor due to certain regulations and mandatory requirements. Mr. A'Vant confirmed that fact, stating that for the I-195 corridor, buildings must have a first floor commercial component. The site also has underground parking. The ceilings are 16 to 17 feet high which add to the costs. Those requirements along with specific lighting and landscaping mandates increase the overall cost of the project.

Committee Chairman Orth commended the collaborative process and noted that the financial structure was rearranged. Originally the transaction did not meet debt coverage, so a reserve was required. This proposal has no debt coverage for the 4% tax credits and a decent debt coverage on the 9% tax credits, which is good for the long term feasibility of the project. The Committee Chairman was curious about what the cash flow share split was and the possibility of repayment terms of the HOME and soft funds.

Mr. St. Jean replied that staff is working on closing documents, but typically the structure is 50% cash flow for the ancillary debt. There's a good chance that the some of the funds will be repaid.

Ms. Berman further elaborated by saying that the standard is 50% of cash flow on the subordinate debt.

Committee Chairman Orth mentioned that there's not a lot of NOI on the 4% deal where the commercial tenant is Head Start. He remarked that Head Start is perhaps not the most secure tenant for repayment. The Committee Chairman wanted to know if it could support the debt. Mr. St. Jean responded that in the grand scheme it can support some of the debt. However, the development will need to utilize some lease up reserves for shortfalls. NEF and the developer will continue to have the reserves for the deal; therefore, it can support the debt.

Ms. Berman stated that absent the cash flow from the childcare, and if one looked at just the residential, the transaction would not meet debt service coverage for 15 years. As it's all affordable, it goes negative prior to the 15 years but for the childcare component.

Committee Chairman Orth noted that the City of Providence is investing over \$3 million and has stepped up to ensure the projects come to fruition. It appears the City is funding the Head Start portion.

Ms. Berman said that the City of Providence has been a fabulous partner. Staff has engaged in conversations on how to divvy up the deal so each portion can stand on its own.

Committee Chairman Orth acknowledged that it's an absolutely phenomenal project. It's a bit pricy but it's a great project.

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

Committee Chairman Orth then officially stated that the recommendation for Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Firm Approval of Financing for Parcel 9 I & II (Providence) was unanimously approved.

3. Recommendation for Authorization to Issue Tax-Exempt Bonds to Support the Development of Parcel 9 II \$8,200,000 (Providence)

Committee Chairman Orth again asked Mr. St. Jean to proceed with the presentation.

Mr. St. Jean stated that the request was for approval of the issuance by RIHousing of tax-exempt bonds in an amount not to exceed \$8,200,000 to be utilized in a tax-exempt private placement transaction with Millennium Corporation, a Massachusetts corporation and a wholly owned subsidiary of Eastern Bank (“Eastern”), to fund the construction financing for a portion of a multifamily rental housing development in Providence known as Parcel 9 II (“Parcel 9 II” or the “Development”).

Parcel 9 II will provide 29 units of housing of which 100% will be affordable to households whose incomes are at or below 60% of area median income. Parcel 9 II is a portion of the mixed use, 66-unit multifamily rental housing development known as Parcel 9 I & II. The developer, Pennrose, LLC (“Pennrose”), has formed a limited liability company, Parcel 9 Phase I-4 LLC (the “Borrower”), which will be the owner of the project and the recipient of the loan.

In accordance with the private placement structure, RIHousing will issue a tax-exempt note to Eastern evidencing the loan. RIHousing, in turn, will advance the loan proceeds to the Borrower under RIHousing’s tax-exempt bond volume cap. RIHousing and the Borrower will undertake all of the standard obligations related to a tax-exempt facility.

The loan will be non-recourse to RIHousing. RIHousing will only need to provide an assignment of its rights under the loan to Eastern. The Borrower note and mortgage will also be assigned to Eastern. RIHousing will receive a one-time origination fee of 1.0% of the principal amount of the loan, plus an annual servicing fee equal to 25 basis points of the outstanding loan balance.

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 Authorization to Issue Tax-Exempt Bonds to Support the Development of Parcel 9 II \$8,200,000 (Providence).

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

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

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

Committee Chairman Orth then officially stated that the recommendation for Authorization to Issue Tax-Exempt Bonds to Support the Development of Parcel 9 II \$8,200,000 (Providence) was unanimously approved.

4. Recommendation for Firm Approval of Financing for Park Holm IV (Newport)

Committee Chairman Orth said that Mr. St. Jean would present the request.

Mr. St. Jean began by noting that the request was for firm approval of: (i) RIHousing tax-exempt financing in an amount not to exceed \$11,400,000, of which \$4,200,000 will remain as permanent debt; (ii) a Housing Production Fund loan equal to \$1,576,250 (the “HPF Loan”); and (iii) a Capital Magnet Fund loan equal to \$926,900 (the “CMF Loan”) for Park Holm IV (hereinafter referred to as the “Development”). The Housing Authority of the City of Newport is the developer (the “Developer” or “HACN”). The Development received preliminary approval for this financing from the Board of Commissioners on March 17, 2022 and June 16, 2022 (“Preliminary Approval”).

Park Holm IV is the fourth phase of the planned five-phase redevelopment of an existing 262-unit public housing development located in the City of Newport’s North End. This proposed phase involves the demolition of 74 units contained in 21 buildings and the new construction of 51 units in six townhouse-style buildings. The buildings are currently occupied, and residents will be relocated during construction. While the first three phases of redevelopment yielded a net gain of seven units overall, there is an anticipated net loss of 16 units after the completion of Phase IV. In response to that loss and as a requirement of RIHousing’s Qualified Allocation Plan, HACN has provided a plan to complete a full one-for-one replacement within the proposed Phase V. An Application for Phase V is anticipated in 2024.

Similar to previous phases, this Development will incorporate new site landscaping and infrastructure, including new parking areas, walking paths, and passive recreation areas. In addition, plans include the installation of new utilities serving each building and the relocation of overhead electrical lines to underground. The units will be constructed to Tier II Energy Star standards and will be restricted to households with incomes at or below 60% of area median income (“AMI”). The new units will be subsidized with a mix of Annual Contribution Contract (“ACC”) subsidy and Section 8 Project-Based Vouchers (“PBV”) from HACN.

Since Preliminary Approval, the Developer has selected a General Contractor through a competitive bid process and finalized their construction pricing. Due to industry-wide construction cost increases, the overall construction budget has increased by approximately \$2,000,000. Additional low-income housing tax credit (“LIHTC”) basis and increased amortizing debt helped to mitigate the increase. The Developer was also awarded additional Building Homes Rhode Island (“BHRI”) funds from the Rhode Island Housing Resources Commission.

The collective capital stack for the Development will consist of: (i) proceeds from the tax-exempt financing and sale of 4% LIHTCs; (ii) the HPF Loan; (iii) the CMF Loan; (iv) the BHRI Loan; (v) a deferred developer fee; and (vi) a sponsor loan. Boston Financial Investment Management (“BFIM”) will be the syndicator purchasing the 4% LIHTCs at \$0.965 per credit. Citizens Bank, N.A., which is BFIM’s upper-tier LIHTC investor, will provide an initial construction loan in an amount not to exceed \$7,200,000 (the “Construction Loan”). The Construction Loan will be paid off and replaced by RIHousing’s permanent loan when the bonds are issued, which is expected at 50% completion.

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 Park Holm IV (Newport).

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

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

Commissioner Designee Cabral noted the decrease in the number of units projected and asked for clarification regarding residents who will be relocated during construction. She wanted to understand if due to the reduction of the units some of the tenants might be displaced.

Mr. St. Jean explained that between the five (5) phases of the project, there will be a total of 262 units redeveloped. The plan is for one-for-one replacement of all units spread through the phases and for no resident to be displaced. Technically, even though there is a net reduction of units for this phase, there will be a positive number of units for Phase V, the units count will ultimately net out.

Ms. Berman explained that this situation has been an issue since Newport Housing Authority originally commenced with the redevelopment over 20 years ago. Development has reviewed and evaluated the plan for Phase V and is confident that the plan is credible. The Housing Authority has been consistent and thorough ensuring that no resident is displaced. As they have extensive experience in this type of development, staff is confident in their methods.

Mr. Comer said that the Housing Authority was extremely thoughtful and creative outlining their strategy in designing the five (5) phases to ensure that no resident was displaced. As units were vacated, the Housing Authority has held some to accommodate relocating residents.

Mr. St. Jean also noted that most of the residents affected have been relocated. There's only a few remaining that need to be housed. Once all the phases are complete, the number of units remain unchanged.

Mr. Comer stated that the Newport Housing Authority is an experienced entity that has performed an admirable job on all the phases of the development.

Committee Chairman Orth noted that the interest rate that Citizens Bank is charging for the construction loan has increased to 7.2% and at some point, RIHousing assumes the financing. Committee Chairman Orth asked Mr. St. Jean to explain that approach.

Mr. St. Jean confirmed that Citizens is the investor in the syndicator fund and will be the first construction lender at closing. Once 50% of the project is complete, RIHousing will repay the Citizens loan and be the construction lender until completion.

Committee Chairman noted the final loan is for \$11.4 million, which appears to more than the original amount.

Ms. Berman clarified that when financing the project, Citizens required that they be the construction lender. However, the maximum Citizens would lend is \$7 million. RIHousing will issue a \$11 million tax-exempt bond. The bonds have to be out for a specific period, and RIHousing has to time the issuance of the bonds to coincide with other deals. RIHousing will issue the bond, pay off the Citizen debt and the balance will be utilized to finance the rest of construction. This approach is employed to meet the 50% requirement.

Committee Chairman Orth wondered how Citizens' mandate of investing in the construction loan affects RIHousing risk perspective. Ms. Berman responded that from a risk perspective, it's a positive for the Corporation. It also helps with pricing as the deal is that much closer to completion. In addition, as RIHousing is the issuer of the bond, there is no issuer fee. This is a long term loan where the construction loan will be paid down and \$4 million will amortize for 35 years.

Committee Chairman Orth also mentioned that the \$3 million dollars of increases are addressed by employing additional credits and debt. He wanted to know if the Asset Management department has reviewed and scrutinized the changes and approved the modifications.

Ms. Berman and Mr. St. Jean verified that Asset Management reviewed the changes, the operating expenses and approved the submission.

Committee Chairman Orth commented that he was pleased to see this project moving forward. He also wanted to know when Phase V was scheduled to commence.

Mr. St. Jean replied that he expects Phase V to launch in 2024. The developer anticipates closing by end of 2024.

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

Committee Chairman Orth then officially stated that the recommendation for Firm Approval of Financing for Park Holm IV (Newport) was unanimously approved.

5. Recommendation for Revised Approval of Housing Production Fund (HPF) Award for Frenchtown Road I & II (East Greenwich)

Committee Chairman Orth said that Stephanie Booker, Real Estate Development Officer would present the request.

Ms. Booker said that the request was for revised firm approval of a Housing Production Fund ("HPF") award in an amount not to exceed \$3,626,381 for Frenchtown Road I & II ("Frenchtown I & II" or the "Development"), a proposed 63-unit mixed income development on a vacant site located at 655 Frenchtown Road in East Greenwich.

The Housing Production Fund ("HPF") was established by the State of Rhode Island General Assembly in June 2021 by amendment to Rhode Island General Laws Section 42-128, known as the Housing Resources Act of 1998, to provide funding for the planning, production, and preservation of affordable housing. RIHousing was authorized by the General Assembly to implement and administer a program using \$10,000,000 of these funds to provide grants or loans for the development of new affordable housing and the preservation of existing affordable units.

On June 16, 2022, the Board of Commissioners initially approved \$3,626,381 of HPF funding for Frenchtown I & II, which is a hybrid development comprised of a 30-unit 4% LIHTC project as well as a 33-unit 9% LIHTC project, each owned by a separate entity. The capital stack approved as part of the February 16, 2023 Firm Approval for the Development included a lower HPF award than was initially approved due to the inclusion of a \$2,000,000 federal appropriation (the "THUD Award"). The inclusion of this THUD Award allowed for a HPF award of \$1,911,500; a reduction of \$1,714,881.

The THUD Award is administered by the U.S. Department of Housing and Urban Development (“HUD”), and U.S. Senator Jack Reed’s office has confirmed that it could take up to six months for HUD to issue its final approval of the appropriation. To begin construction, lock in construction pricing and close by mid-April, the developer has requested that the HPF award be increased to the original approved amount of \$3,626,381. When the THUD money is approved and available to the developer, RIHousing will discharge \$1,714,881 of the HPF loan resulting in a final HPF award consistent with the Firm Approval amount of \$1,911,500. This additional, temporary allocation of funds will allow the project to move forward in a timely manner.

Committee Chairman Orth thanked Ms. Booker for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Revised Approval of Housing Production Fund (HPF) Award for Frenchtown Road I & II (East Greenwich).

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

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

Committee Chairman Orth applauded staff on its flexibility on taking the initiative in addressing the matter.

Ms. Berman commented that the credit should be shared with the Legal Department, which helped facilitate a solution.

Commissioner Designee Cabral asked if it’s a federal regulation that requires this process. James Comer, Deputy Executive Director responded that the THUD funds are a legislative grant secured by Senator Reed’s office. However, the developer must formally apply to HUD to access the dollars. As there’s a six (6) month backlog of paperwork from last year’s grants, there is a timing concern; and this substitution will ensure that the project can move forward in a timely manner. Once the application is submitted and approved by HUD then the funds will be released. The estimate for that process is approximately six (6) months.

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

Committee Chairman Orth then officially stated that the recommendation for Revised Approval of Housing Production Fund (HPF) Award for Frenchtown Road I & II (East Greenwich) was unanimously approved.

6. Discussion:
 - a. Pipeline Report

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

Ms. Berman began by saying that staff is making good progress in reviewing RFP responses received for the Consolidated RFP. Presently, RIHousing is undertaking preliminary scoring of the applications and threshold criteria. Staff anticipates finalizing scoring by end of March.

Ms. Berman said that she expects bringing the bulk of the funding decisions to the Board in May. Development staff is diligently working through projects and moving forward on viable applications.

Staff is also evaluating awards of soft funds to allocate as much money as possible to as many projects as they can.

Continuing, Ms. Berman announced that staff is moving forward with closing documents for Frenchtown Road and West House which were approved last month. Additionally, a few preservation deals are slated to be presented to the Committee next month.

Committee Chairman Orth remarked that cost increases are adding to the financing dilemma, requiring additional funds. He speculated if this was a good time to explore how the Corporation approaches financing future deals.

Ms. Berman said that three (3) deals approved the previous year have returned for additional dollars. Development staff has noted that issue and addressed the topic internally. Discussions are ongoing with Design and Construction to perform a deep dive on increasing construction costs, determine how quickly a developer can secure financing and move forward to closing. Conversations regarding value engineering and flexibility in utilizing alternate materials has also been investigated. Staff is looking to balance all those issues to stabilize pricing and hedge against future increases.

Committee Chairman Orth acknowledged that it's a difficult job and stressed that staff must send a clear message to the development community and partners on what they can expect from RIHousing.

Mr. Comer agreed. He stated that staff has been vocal on communicating that message. RIHousing has emphasized that readiness to proceed is an important ingredient for all applicants. The quicker the project can move forward, the less the risk. Furthermore, the more information provided and well-thought-out schematics are essential.

Ms. Berman further expounded that, as interest rates increase, the quicker a borrower can close the better to mitigate the risk for rising rates. Development is also investigating employing swaps that allow developers to lock in an interest rate.

Commissioner Designee Cabral asked if RIHousing is requiring additional contingency for the loans.

Ms. Berman said the Corporation typically requires 10% on rehab projects and 7% on new construction projects.

Tony A'Vant, Assistant Director of Design and Construction confirmed those numbers. He did say that in a few instances where a respectable plan was in position, the rate was 5%.

Mr. Comer mentioned that with the additional \$10 million predevelopment funds forthcoming, developers can avail themselves of the funds. That will assist in mitigating some of the back end costs.

There were no votes taken regarding this item.

Adjournment

There being no further business to discuss, Committee Chairman Orth asked for a motion to adjourn the meeting. A motion was duly made by Commissioner Designee Cabral and seconded by Committee Chairman Orth to adjourn the meeting.

Committee Chairman Orth, then conducted a voice vote of the Commissioners. The Commissioners unanimously voted to adjourn the meeting.

The Commissioners unanimously voted to adjourn the meeting at approximately 10:11 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted,

Kara Lachapelle, Chief Financial Officer
on behalf of Carol Ventura
Secretary and Executive Director