

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

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, March 9, 2022 at 9:30 a.m. The meeting was held via telephone conference call pursuant to Executive Order 22-01 (as extended by Executive Order 22-20 and as may be further amended or extended).

Carol Ventura, Executive Director, stated that this was a telephonic meeting of the RIHousing Board of Commissioners Credit Committee. Ms. Ventura, then introduced Carl Rotella, Director of Information Technology, who summarized the parameters of the meeting.

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

Next, Corinne Myers, General Counsel, provided additional guidance for the meeting. Ms. Myers stated that pursuant to Executive Order 22-01, as extended by Executive Order 22-20, the meeting was being held via teleconference. Members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

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

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

Ms. Ventura conducted a roll call of Commissioners participating in the meeting. Commissioners participating via conference call were: Committee Chairman Orth; Elizabeth Tanner, Director of the Department of Business Regulation; and Maria Barry. LeeAnn Byrne, Designee for General Treasurer Seth Magaziner, was also present via telephone.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Lisa Primiano, Chief Operating Officer; Kara Lachapelle, Chief Financial Officer, Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director of Real Estate Development; Lauren Farley, Senior Program Manager Development; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on February 9, 2022

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on February 9, 2022. A motion was made by Commissioner Barry and seconded by Commissioner Tanner.

There being no discussion, Corinne Myers, General Counsel conducted a roll call vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on February 9, 2022. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

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

VOTED: That the minutes of the Credit Committee Meeting held on February 9, 2022, are hereby approved.

2. Recommendation for Preliminary Approval of Financing for Park Holm IV (Newport)

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

Mr. St. Jean said that this request was for preliminary approval of a RI Housing tax-exempt construction loan in an amount not to exceed \$10,100,000 for Park Holm IV (the “Development”), of which \$2,183,000 would remain as a permanent first mortgage, and a Capital Magnet Fund (“CMF”) loan in the amount of \$999,000. The Housing Authority of the City of Newport (“HACN” or the “Developer”) is the developer. HACN has also requested a Housing Trust Fund (“HTF”) loan and a HOME Investment Partnerships Program (“HOME Program”) loan in the most recent competitive round.

Park Holm IV is the fourth phase of a planned five-phase redevelopment of an existing 262-unit public housing development located in the City of Newport’s North End. The fourth 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 anticipated to be a net loss of 16 units after the completion of Phase IV. HACN will need to provide a plan for addressing the replacement of these units prior to firm commitment.

The fourth phase 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. Apartments will be restricted to households with incomes at or below 60% of AMI. The new homes will be subsidized with a mix of Annual Contribution Contract (“ACC”) subsidy and Section 8 Project-Based Vouchers (“PBV”) from HACN.

The proposed capital structure for the Development will consist of proceeds from the tax-exempt financing and sale of 4% low-income housing tax credits (“LIHTCs”), a HOME Program loan, a HTF loan, a CMF loan, Building Homes Rhode Island Funds (“BHRI”) previously awarded by the RI Housing Resources Commission, a deferred developer fee, and a sponsor loan. Boston Financial Investment Management (“BFIM”) will be the syndicator purchasing the 4% LIHTCs at \$0.965 per credit.

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 Preliminary Approval of Financing for Park Holm IV (Newport).

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

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

Committee Chairman Orth noted that this is the fourth phase for Park Holm and commented that he’s delighted to see the project progressing. The Committee Chairman mentioned that historically the project has experienced issues with high construction and total development costs. He wanted to know if staff has reviewed all options to lower the costs, or at least to hold the current pricing schedule.

Mr. St. Jean explained that staff has reviewed all the costs estimated and HUD has approved the negotiated bid. There are some extraordinary costs associated with the project from Davis-Bacon wages, site work demolition, and costs associated with mitigation of arsenic in the soil.

Ms. Berman further elaborated by saying that based on the preliminary numbers presented and Design and Construction’s review of the Davis-Bacon wages and special site conditions, the overall increase is 20%. If one considers the cost of the building and breaks down the total development cost, the per unit cost of \$360 thousand is consistent with recently closed deals and the Barbara Jordan II development. The construction costs are consistent; the site costs are driving up the price. In fact, Ms. Berman said that staff is seeing between \$380 and \$390 thousand per unit on the construction costs for the 9% deals that don’t necessarily include the same special site and Davis-Bacon expenses. Ms. Berman then said that RIHousing is cautiously optimistic that the pricing will hold as projected.

Committee Chairman Orth thanked Ms. Berman for the explanation.

Committee Chairman Orth then noted that the project appears to require most of the \$7.9 million bridge loan to meet the 50% test. The Committee Chairman recalled that the minimum equity payment was set at 15% whereas the equity for this loan is 10%. Committee Chairman Orth wanted to know why the initial equity payment is 10%. Mr. St. Jean said that the loan qualified for a 10% initial equity loan and that Citizens Bank is the investor/syndicator holding the construction mortgage of \$6 million for the first six months to nine months, with RIHousing’s financing not presented until the project is 40%-50% complete.

There being no further comments, Corinne Myers, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Myers then officially stated that the recommendation for Preliminary Approval of Financing for Park Holm IV (Newport) was unanimously approved.

3. Recommendation for Approval of Acquisition and Revitalization Program (ARP) Funding Awards

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

Ms. Farley said that on March 2, 2021, the voters of the State of Rhode Island passed a state bond referendum authorizing the issuance of \$65,000,000 in bonds to increase the availability of affordable housing and support community revitalization through the redevelopment of existing structures, new construction, and property acquisition. RIHousing was authorized by the Rhode Island Commerce Corporation (“CommerceRI”) to implement and administer a program using \$15,000,000 of these funds for the improvement of properties that are blighted or in need of revitalization. The program is known formally as the Acquisition and Revitalization Program (“ARP”).

ARP’s purpose is to stabilize neighborhoods and communities by strategically targeting foreclosed and/or blighted residential and commercial properties and vacant lots in need of redevelopment. Encouraging redevelopment of vacant, foreclosed and/or blighted properties will revitalize neighborhoods and communities, stabilize the housing market, and improve local economies. The funding is available to non-profit and for-profit developers, municipalities and public housing authorities.

Pursuant to ARP Summary Guidelines established by RIHousing (“Guidelines”), ARP funding is available statewide but 75% of the funding is set aside for urban communities. The Guidelines restrict the income of households that will occupy the redeveloped residential or mixed-use properties to 120% of area median income (“AMI”). In addition, the Guidelines prioritize redevelopment of commercial properties and vacant lots located in low- and moderate-income census tracts or that serve low- and moderate-income households.

In November 2021, RIHousing issued a Request for Proposals (“RFP”) for ARP funds from qualified applicants. In response, RIHousing received 17 proposals requesting \$27,780,452 in ARP funds. After an initial review of the applications, Development Division staff requested clarifying information regarding apparent deficiencies. Following receipt of the additional information from the applicants, all applications were reviewed by Development staff in accordance with the published Program Review Criteria to evaluate whether the applications contained the required ARP threshold criteria for awards as follows:

1. Applicant must demonstrate that the development activity will commence within six months of approval of funding.
2. Applicant must demonstrate that the development is financially feasible.
3. Applicant must demonstrate the experience and capacity to complete the project and to operate/maintain the project for a minimum 15-year period (as applicable) based upon experience with projects of similar complexity.

4. Applicant must demonstrate the need or demand for the project through market analysis, local demographics, existing demand for the project, etc.

Development staff scored only those applications that passed the threshold analysis and subsequently presented them to an external advisory committee (the “Advisory Committee”).

Ms. Farley said that staff recommends funding for the proposals as presented in the attachment that was included as part of the March 9, 2022 Credit Committee package. One proposal is contingent upon the applicant’s ability to secure additional committed funding by August 1, 2022. The ARP awards will directly fund 43 residential units and one new public facility.

Committee Chairman Orth thanked Ms. Farley for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Approval of Acquisition and Revitalization Program (ARP) Funding Awards.

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

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

Commissioner Tanner asked if the applicants that submitted proposals that did not qualify or were denied will have an opportunity to resubmit for future funding rounds.

Ms. Berman explained that 13 applications did not pass threshold criteria due to financial feasibility fail or readiness to proceed failure. As is the norm, staff plans to schedule debriefing sessions with all the denied applicants via one-on-one conversations. Staff has already initiated a few of those conversations with applicants. Some applications are farther along than others and staff will review the weaknesses and strengths of each proposal with the developers.

Committee Chairman Orth mentioned that the requests presented were for approximately \$28 million yet the recommendation presented for approval is for \$5 million. Committee Chairman Orth observed that there’s a high level of denial between the amount of funding requested. Mr. Berman said that the difference is that some of the applications are also requesting other sources of funding streams. Additionally, two of the proposals asked for \$10.7 million in funding. Other applicants’ requests were between \$200 thousand and \$2 million. Those two high requests skew the applications, unevenly weighing the overall requests.

Committee Chairman Orth then said that in previous years’ funding rounds threshold requirements mandated the developers use the funds within six (6) months of approval. That timeframe appeared to be a difficult hurdle for the applicants to meet. The Commissioner believed that condition was relaxed to some extent and asked if easing the 6-month stipulation should be contemplated for this round.

Ms. Berman said that staff routinely evaluates the individual applications to determine if that stipulation should be changed. There was some indication that the objective was to move the projects forward as quickly as possible. However, staff will review criteria to determine if six (6) months is the right metric or if it needs to be adjusted.

Ms. Ventura remarked that to a great extent, for projects funded under the initial ARP awards, many of the developments did move quickly. RIHousing's resources were the last funds allocated in the process.

Commissioner Designee Byrne mentioned that even though she is not a member of the Credit Committee, she was on the call on behalf of Treasurer Magaziner. Treasurer Magaziner has been briefed on the Community Works Music Center project and wanted to show his support for the venture. The Treasurer believes that the Music Center project is important for the community and will revitalize the neighborhood.

Committee Chairman Orth thanked Commissioner Designee Byrne for her participation and agreed that the Music Center is a great initiative.

Following the discussion, Corinne Myers, General Counsel, conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Tanner	Aye
Commissioner Barry	Aye

Ms. Myers then officially stated that the recommendation for Approval of Acquisition and Revitalization Program (ARP) Funding Awards was unanimously approved.

Commissioner Tanner left at this point of the meeting at approximately 10:00 a.m.

4. Discussion:

a. Construction Starts

Committee Chairman Orth introduced Brian DeChambeau, Manager of Research & Evaluation, who reported on the construction starts data. Mr. DeChambeau said that he was not present the first time the topic was discussed, but he was available to review the data that were presented in a memo previously distributed to the Committee.

Mr. DeChambeau said that the initial question that sparked the conversation revolved around how staff tracks new units that come online, and data points used for charting the information. The most accurate way to track those units is the Decennial Census, which includes an account of all existing units in Rhode Island.

Along with information published in the HousingWorks RI Annual Factbook, the number of building permits issued in Rhode Island is another way to estimate that number. Staff also uses data from the Census Building Permits Survey. Mr. DeChambeau mentioned that staff has remarked that the only other way to survey actual units is to go out and count every individual unit in the State.

Additionally, the number of permits issued is not thought to be as representative of real changes in the state housing stock as Census data. The reason for that is that not all permits result in new construction and not all construction permits are tracked. Other ways new housing is created includes some legal and other illegal methods such as basement and attic conversions and people living in commercial spaces. That results in a lot of grey area when counting permits. Therefore, even though

the Census indicates that approximately 2,000 units are added to the state housing stock each year, permitting data falls short of that estimate. Additionally, there are issues on how the census survey poses the question, as it does not always accurately capture the correct information. Housing stock that has been lost via demolition or fire is also not tracked.

Continuing, Mr. DeChambeau said that issues and challenges remain when trying to determine exactly how many units are created in a specific area. Unfortunately, there is no one data source that reliably tracks the information in Rhode Island. As such, multiple data sources are generally used to compute housing stock changes. Along with the Census data, RIHousing utilizes information from the Low- and Moderate-Income Housing (LMIH) chart, the HousingWorks RI Factbook data, the Department of Business Regulation e-permitting system and various private sector studies of housing market data from such entities as CoStar. CoStar's database is focused on the private sector where most new construction is produced. CoStar typically tracks that portion of the market and only approximately a quarter of the rental units; making the data incomplete.

Furthermore, RIHousing receives property tax records from the municipalities assessor's office. However, those records do not track illegal units. While a lot of information is available, municipal tax data does have some limitations, in addition to not always being updated as frequently as is desired.

Following his presentation, Mr. DeChambeau welcomed questions from the Committee.

Committee Chairman Orth thanked Mr. DeChambeau for the information and acknowledged the difficulties in accurately collating the information. However, the Committee Chairman wanted to know what can be done to acquire the answers staff and the industry wants. Committee Chairman Orth wondered if more effort should be made to coordinate with other agencies, such as Commissioner Tanner's department on the e-permitting system, HousingWorks RI and/or with the new deputy secretary of housing. Staff should not be working in a vacuum when trying to secure a real time assessment that is relatively accurate for ongoing construction of single and multifamily projects.

Mr. DeChambeau explained that even though none of reports are complete, when put all together, there's a good sense of the past ten years. As not all the data sources are released at the same time, it's a challenge to triangulate the true number of housing units produced. Once the Department of Business Regulation's e-permitting system is fully operational and all the municipalities maintain real time data, some information will be easier to extrapolate.

Moreover, Mr. DeChambeau stated that the State has issued a new requirement that RIHousing submit an annual report to Commerce with the information. Essentially, it's a matter of continuously checking the data sources and updating the numbers.

There were no votes taken regarding this item.

b. Pipeline Report

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

Ms. Berman began by saying that Development continues to work on the 9% tax credit applications. Presently staff has concluded the scoring portion of the applications and is concentration on the summaries for the projects. Ms. Berman said that those recommendations are on track for review by the Credit Committee in May.

Additionally, there are 20 ancillary projects and 500 multi-family per-development units moving forward for consideration. Ms. Berman said that the pipeline is moving along nicely.

Ms. Berman then announced that the Consolidated RFP is scheduled to launch on Thursday. That comprehensive funding application is for the following funding sources using the One Stop Application Portal: Housing Production Fund, Housing Production Fund for Operating Support, RI Rebounds Production Fund, Capital Magnet Fund, the Preservation Loan Fund, and tax-exempt bond financing for the development or preservation of multifamily apartments.

Ms. Berman was excited about the comprehensive application as it will assist developers in procuring a variety of funding sourcing through one application. Ms. Berman said that the Development team continuously communicates with developers and partners. To that effort, staff is scheduling an informational meeting to review the various funding sources available under the RFP to help developers identify what sources can be utilized and for what purpose.

Committee Chairman Orth asked Ms. Berman if the Consolidated Funding Application can be used for all funding requests or if a developer is required to submit multiple applications for the different funding requests.

Ms. Berman confirmed that the one application is sufficient to address all the financing requested. That is the advantage of the Consolidated RFP; it's a one stop application process that will help staff and developers identify the right funding resources needed for a project.

Committee Chairman Orth applauded that concept and said that the streamlined process will not only benefit internal staff, but the development community will deeply appreciate the simplified process.

Commissioner Barry solicited Ms. Berman's thoughts on where the industry demand exists. The Commissioner wanted to know if Ms. Berman believes that workforce housing is where the market is experiencing a shortfall or if there's more need for mixed-use development or in between.

Ms. Berman said that most of the information staff employs to ascertain that statistic is generated by HousingWorks RI and any market studies available. Ms. Berman declared that she believes that there's a significant need for housing in the 80%-120% AMI market range.

Commissioner Barry remarked that if that data were available, it would help in quantifying where the greatest need exists.

Committee Chairman Orth recalled that Christine Hunsinger had previously compiled information on workforce housing that she shared with the Committee.

Brian DeChambeau confirmed that he did work on that report. The information was difficult to compile and the general conclusion from the data collected was that the below 30% AMI population was feeling the squeeze. In the apartment market, there are approximately 500 to 1500 units in the 80-120% AMI bracket. However, renters with higher incomes tend to lease those units. As those renters are perceived as better prospective tenants, those units are being occupied by people in a higher income bracket who want to pay less than they can afford for an apartment.

Commissioner Barry inquired if placing some level of restriction on rental options would be beneficial. Mr. DeChambeau agreed that it could be.

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 Committee Chairman Orth to adjourn the meeting.

Corinne Myers, General Counsel, then conducted a roll call vote of the Commissioners. The commissioners voted as follows:

Commissioner Orth	Aye
Commissioner Barry	Aye

The Commissioners unanimously voted to adjourn the meeting at approximately 10:19 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

Carol Ventura
Secretary and Executive Director