

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
November 4, 2021

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Thursday, November 4, 2021 at 10:00 a.m. The meeting was held at the main office of the Corporation, 44 Washington Street, Providence, RI 02903, Conference Library and via telephone conference call.

James Comer, Deputy Executive Director, stated that the meeting of the RIHousing Board of Commissioners Credit Committee would be conducted in person. As an additional means of promoting public participation, the meeting was also made available via live teleconference. Mr. Comer then 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 should 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 hybrid fashion 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. 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 10:04 a.m. Committee Chairman Orth then invited Mr. Comer to proceed with the roll call of Commissioners.

Mr. Comer conducted a roll call of Commissioners participating in the meeting. Commissioners participating in-person were: Committee Chairman Orth; Chairman Nicolas P. Retsinas; and Maria Barry. Elizabeth Tanner, Director of the Department of Business Regulation was absent.

RIHousing staff participating were: 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; Jeffrey Swanson, Real Estate Development Officer; Bernadette MacArthur, Director of Finance; 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 October 13, 2021

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on October 13, 2021. A motion was made by Commissioner Barry and seconded by Chairman Retsinas.

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 October 13, 2021. The commissioners unanimously voted to approve the minutes.

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

VOTED: That the minutes of the Credit Committee Meeting held on October 13, 2021 are hereby approved.

2. Recommendation for Firm Approval of Financing for Riveredge Apartments (Providence)

Committee Chairman Orth recognized Jeffrey Swanson, Real Estate Development Officer who made the presentation.

Mr. Swanson said that staff was seeking firm approval of RIHousing tax-exempt financing in an amount not to exceed \$17,000,000.00 for Riveredge Apartments (hereinafter referred to as “Riveredge” or the “Development”). Cornell Management Corp., a Massachusetts corporation registered to do business in Rhode Island, is the developer (“CMC” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on June 17, 2021.

Riveredge Apartments is a six-story building with 89 one-bedroom and 10 two-bedroom apartments for elderly and disabled households. Amenities include a community room, business center, outside patio and sitting areas. The Section 8 HAP contract which covers all 99 units was recently renewed for 20 years with rents marked up to market.

CMC will undertake a \$6,100,000.00 rehabilitation of the property as part of this proposed transaction, which is an increase of \$1,100,000.00 from preliminary approval. While completing due diligence, some code and access issues were identified. Additionally, the cost to complete the original scope of work increased approximately \$1,400,000.00. The Developer has covered the increase utilizing a larger permanent loan, additional Low-Income Housing Tax Credits (“LIHTCs”), and solar credits, which will be sold to the syndicator.

Ms. Berman also highlighted the fact that the assets are in good condition, the owner has increased energy efficiency by installing solar panels to defray the expenses and that the seller and buyer are affiliated.

Committee Chairman Orth thanked Mr. Swanson for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Riveredge Apartments (Providence).

A motion was duly 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 that achieving 92 cents for the 4% tax credits was commendable. Nationwide, pricing has been dropping, in some areas to as low as 80 cents, and the Commissioner was pleased to see that level of pricing. Ms. Berman confirmed that fact saying that in Rhode Island investors have not seen a profound drop in pricing. The impact has not been as dramatic as in other areas of the country. Additionally, staff has seen signs of pricing reaching 94 cents.

Commissioner Barry inquired on who the investor is for the project. Ms. Berman said that the developer wants to keep it confidential, but she will endeavor to uncover that information for the Committee.

Chairman Retsinas mentioned that this is a straightforward transaction. However, he emphasized that the LIHTCs are valuable assets and staff should carry out due diligence when allocating the funds. Ms. Berman agreed, stating that when a deal includes LIHTC, staff does perform a higher level of scrutiny for the financing.

Corinne Myers, General Counsel, then conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Myers officially stated that the recommendation for Firm Approval of Financing for Riveredge Apartments (Providence) was unanimously approved.

3. Recommendation for Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for Joseph Caffey Apartments & Jordan Caffey Townhomes (Providence)
 - a. Joseph Caffey Apartments (Providence)

Committee Chairman Orth again invited Jeffrey Swanson to give the presentation.

Mr. Swanson prefaced the request by noting that this matter would be addressed in two phases; the Approval for Joseph Caffey Apartments followed by Jordan Caffey Townhomes.

For clarification purposes, Ms. Myers explained that two (2) votes will take place due to the phased structure of the deal.

Mr. Swanson then said that the recommendation for financing for the Joseph Caffey Apartments is for 9% tax Credits and that the financing for Jordan Caffey Townhomes is for 4% tax credit financing.

Continuing, Mr. Swanson explained that this request is for approval of RI Housing tax-exempt financing in an amount not to exceed \$7,700,000.00, a HOME Investment Partnership Program (“HOME”) loan of \$1,600,000.00, a Capital Magnet Fund (“CMF”) loan of \$999,999.00, a permanent taxable loan in the amount of \$2,700,000.00 and a Housing Trust Fund (“HTF”) loan of \$1,960,000.00 for Jordan Caffey Townhomes (hereinafter referred to as “JCT”). This recommendation also seeks approval of a reservation of \$1,298,250.00 in 2021 and/or 2022 9% Low-Income Housing Tax Credits (“LIHTC”) for the Joseph Caffey Apartments (hereinafter referred to as “JCA”). Omni Development Corporation and Wingate Capital Partners, LLC are the co-developers (“Omni/Wingate”) and have

formed a joint venture partnership, Upper South Providence Partners, LLC (“USPP” or the “Developer”) to develop the site. Both JCT and JCA received approval of financing for LIHTC and preliminary approval for financing from the Board of Commissioners on May 20, 2021.

The development site, comprised of JCT and JCA, is formerly known as Barbara Jordan 2 Apartments (“BJ2”). BJ2 consisted of 74 units and has been vacant since 2015. The U.S. Department of Housing and Urban Development (“HUD”) foreclosed on the site several years ago and transferred the property to RIHousing in 2020. The development of JCT and JCA at the BJ2 site (the “Development”) entails the acquisition and demolition of BJ2 and the new construction of 79 affordable rental units in 11 buildings. The Developer is using a bifurcated 9%/4% structure to fund the Development. JCT will have 40 units and be funded with tax-exempt bonds and 4% LIHTC and JCA will contain 39 units and be funded with 9% LIHTC.

Financing has changed since Preliminary Approval. The total development cost of JCT and JCA has decreased approximately \$475,000.00 due primarily to lower acquisition costs. RIHousing carrying costs are lower than originally anticipated resulting in a lower sale price. JCT realized further savings from a decrease in projected interest expense. At Preliminary Approval, a tax-exempt loan of \$9,000,000.00 was approved for JCT. The JCT tax-exempt loan has been re-sized to \$7,700,000.00 and will be repaid at conversion. In addition, the RIHousing Deferred Payment Loan of \$222,723.00 approved at Preliminary Approval has been eliminated due to a combination of lower total development costs (“TDC”) and a larger permanent loan. RIHousing will now provide the permanent loan for JCT. For the JCA transaction, Citizens Bank will provide the construction financing and the City of Providence will remain the permanent lender.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for Joseph Caffey Apartments (Providence).

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

A conversation followed the presentation with Commissioner Barry referencing that the structure of the Jordan Caffey Townhomes where the top floor of the development is designated for condos. The Committee discussed the process for the designation and safeguards for the funding. Ms. Berman confirmed that Citizens is providing the financing for the first three (3) floors of the Jordan Caffey Townhomes and RIHousing retains the financing for the fourth-floor condo. Staff has engaged in numerous conversations with attorneys on the legal parameters for the condominium structure along with how to structure the intercreditor agreements.

Chairman Retsinas commented that this is a complex deal involving a property that previously experienced difficulties with very low ratings. His concern was that staff is aware of past issues and taken those in consideration when estimating the level of difficulty for this project.

Mr. Swanson responded that staff has considered all variables of the project including past experiences when evaluating the success of the project. Mr. Swanson said that staff assessed the risk rating, calculated all scenarios and took into consideration the highly professional and competent team assembled that is well suited to the task of navigating complex transactions.

Ms. Berman also commented that the community optics around this project is vast and looking forward to the transformation of the block. Additionally, Sharon Morris, Executive Director of Omni Development has performed an outstanding job keeping the community engaged during the entire

process. Design and Construction has also meticulously reviewed the plans multiple times and the entire team has worked extremely hard to ensure those plans are solid.

The Chairman acknowledged those facts but noted that the development has a long-troubled history that cannot be erased. He did recommend that staff carry out more frequent inspections to keep abreast of any potential issues.

Committee Chairman Orth acknowledged Chairman Retsinas judicious and hopeful concerns and noted that the LTV is at 97% and that the vacancy rates are projected to be very low. However, the appraisal displays the LTV level at 77%. Mr. Swanson explained that the appraisals are done in the spectrum of that moment in time. RIHousing expands its projections by reviewing the project over the long term, (40 years) and the appetite for affordable units in this market. Market cycles do vary but staff does an in-depth analysis of projections to account for all contingencies.

Mr. Comer announced that the demand for affordable housing in Providence is extremely high. These units are indispensable for the community. Additionally, there is another round of project-based vouchers earmarked for the development.

Ms. Berman also remarked that with the project based vouchers, the expertise of the development team and the management agent, she was confident that this project is achievable.

Mr. Swanson further clarified that the underwriting of the rents is based on current market rates and conservative. The Development team expects the development to outperform projections.

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

Next, Ms. Myers stated that the recommendation for Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for Joseph Caffey Apartments (Providence) was unanimously approved.

b. Jordan Caffey Townhomes (Providence)

As Mr. Swanson previously explained, this request is for the approval for the recommendation of financing for Jordan Caffey Townhomes.

Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for Approval for Jordan Caffey Townhomes (Providence).

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

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

Ms. Myers then officially stated that the recommendation for the Reservation of Low-Income Housing Tax Credits and Firm Approval of Financing for Approval for Jordan Caffey Townhomes (Providence) was unanimously approved.

4. Recommendation for Approval of Transfer of Physical Assets (TPA) for Colonial Village Apartments (North Smithfield)

Committee Chairman Orth mentioned Anne Berman, Director of Real Estate Development would summarize this transaction for Colonial Village Apartments.

Ms. Berman introduced this transaction by noting that it was an administrative matter that met all RIHousing TPA requirements.

Continuing, Ms. Berman said that this approval is for the transfer of the limited partnership interest in Colonial Village Apartments (the “Development”), an affordable housing development for elderly and disabled households located in North Smithfield.

The owner of the Development is Colonial Village Associates, Limited Partnership. The current general partner of the development is CVA Developers, LLC, which holds a .01% interest in the partnership. The two current investor limited partners in the Development are The Washington Trust Company, of Westerly and Washington Financial LLC (collectively the “Washington Trust Companies”). The Washington Trust Companies hold a 99.99% limited partner interest. The Washington Trust Companies intend to withdraw and sell their partnership interests to CVALP Investor, LLC (the “Transferee”). Both the current general partner and the Transferee are affiliated with Cathedral Development Group, Inc., the developer.

No new financing is currently anticipated. The Transferee will assume all existing obligations encumbering the Development.

The current property manager is Property Advisory Group, Inc. (“PAG”). The owner and PAG are affiliated entities. No change in the management agent is contemplated. The Development received a 93a on its most recent REAC score and PAG provided a list of capital improvements made over the past eight years. The transfer will allow the Transferee to buy out the limited partners after the tax credits have been fully utilized but before the initial compliance period expires.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Approval of Transfer of Physical Assets (TPA) for Colonial Village Apartments (North Smithfield).

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

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

Ms. Myers then stated that the recommendation for Approval of Transfer of Physical Assets (TPA) for Colonial Village Apartments (North Smithfield) unanimously was approved.

5. Discussion:

a. Pipeline Report

Committee Chairman Orth mentioned that the Committee sought to discuss the Federal Financing Bank (FFB) program. James Comer, Deputy Executive Director informed the Committee that the FFB program discussion was part of the pipeline report and would be addressed by Ms. Berman.

Ms. Berman began by briefly providing an overview of the FFB Program noting that the Treasury/HUD Federal Financing Bank HFA Multifamily Risk Sharing Initiative was created in 2015 for the financing of rental housing for low- and moderate-income households.

The FFB is a government corporation created by Congress to help Federal agencies efficiently finance their programs at the lowest cost to the taxpayer and maintain orderly government securities markets. The FFB operates under the general supervision and direction of the Secretary of the Treasury and is authorized to purchase any obligation that is fully guaranteed by another federal agency. The HUD Risk Share Program constitutes an acceptable federal agency guaranty to permit the FFB to purchase securities insured under the Program.

This execution results in a significantly reduced interest rate for affordable multifamily development compared to the cost of tax-exempt bonds under current market conditions. The program is structured to provide long-term financing rates that are more competitive that will allow Rhode Island Housing to offer more economical rates to its borrowers.

Mr. Comer said that the FFB program cost of funds are lower allowing greater pricing flexibility for the Corporation. This permits RIHousing to retain its taxable bond portfolio for the long-term. Additionally, the program fees go to refund the Affordable Housing Trust.

Kara Lachapelle, Chief Financial Officer declared that the National Council of State Housing Agencies (NCSHA) has advocated and lobbied to reinstate this program. This program is more effective for lenders and developers to achieve a lower interest rate on financing. It's a successful program that extends the affordability options and the best choice for RIHousing and Developers.

Ms. Lachapelle also mentioned that Bernadette MacArthur, Director of Finance performed an analysis of the portfolio in the pipeline and this program will allow RIHousing to preserve 6-7 properties along with funding some critical programs through the Affordable Housing Trust Fund.

Committee Chairman Orth asked what the difference is for the spread. Ms. Berman said that it's 55 basis points. The Committee also discussed preservation transactions and the equity take out and the term used to categorize those transactions. They contemplated if the equity take-out is termed a refinance repayment or a penalty fee. Ms. Berman clarified that staff is educating developers on the language to understand how the fees are levied.

Continuing, Committee Chairman Orth suggested calculating the fee on the actual amount of the loan. Ms. Berman said the fee is 1.5% of the actual amount of the loan. As new loans are originated, with the requested financing amount being higher, then the fee is upsized to the new loans.

Committee Chairman Orth then cited that other states require a much higher fee and that it's something for the Corporation to consider.

Mr. Comer stated that staff wants to keep the transactions moving ahead and will take Commissioner Orth's suggestion under advisement.

Committee Chairman Orth also said that this program can be viewed as a new preservation financing tool as well as a new construction and rehab mechanism.

Ms. Berman said that the challenge is that there is no mechanism in the FFB provisions to provide for a forward commitment. Historically first mortgage production leverages are relatively small and as rents increase mortgages have escalated north of one million. Staff needs to meticulously scrutinize all deals for the best possible option.

Consideration was also given to locating an interim revenue source to protect the funding as interest rate fluctuate.

Next, Committee Chairman Orth said that he attended a conference where the discussion was concerning allowing HFAs to use the program on any deal. He believes that the outcome was that the HFAs are permitted to use the funds on any transaction.

Ms. Lachapelle agreed, however most of RIHousing's first mortgages are not large enough to qualify.

Finally, Committee Chairman Orth said he that is very excited about the reinstatement of the FFB program. Mr. Comer concurred and commended Rhode Island's congressional delegation for their work on reinstating the program.

Chairman Retsinas then requested a very brief update on the Workforce projects. Ms. Berman said that two (2) projects are under construction and four (4) are scheduled to close. Two (2) of the four (4) projects scheduled to close are within the next two weeks.

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. Myers then conducted a voice vote of the Commissioners in response to a motion for adjournment. The Commissioners unanimously voted to adjourn the meeting at approximately 10:55 a.m.

In closing, Committee Chairman Orth thanked everyone for a productive meeting.

Respectfully submitted

Carol Ventura, Secretary and Executive Director