

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
October 12, 2022

A meeting of the Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, October 12, 2022 at 9:30 a.m. The meeting was held at the main office of the Corporation, 44 Washington Street, Providence, RI 02903, Conference Boardroom and via telephone conference call.

Carol Ventura, Executive Director, opened the meeting and introduced Carl Rotella, Director of Information Technology, who outlined the parameters of the meeting.

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

Next, Corinne Myers, General Counsel, provided additional guidance for the meeting. Ms. Myers stated that 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 9:30 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners in attendance.

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

Josh Saal, Secretary of Housing and Sara Cabral, Designee for Elizabeth Dwyer, Interim Director of the Department of Business Regulation were also present.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer, Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Anne Berman, Director of Real Estate Development; Dean Harrison, Assistant Director Real Estate Development; Caroline Dylag, Real Estate Development Officer; Jeffrey Swanson, Senior Real Estate Development Officer; Michael DiChiaro, Director, Leased Housing and Rental Services; Corinne Myers, General Counsel; and Carl Rotella, Director of Information Technology.

Members of the public were also present via teleconference.

The following matters were then discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on June 8, 2022

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on June 8, 2022. A motion was duly made by Commissioner Dwyer and seconded by Committee Chairman Orth.

There being no discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on June 8, 2022. 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 June 8, 2022, are hereby approved.

Committee Chairman Orth then asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on August 10, 2022. A motion was made by Commissioner Dwyer and seconded by Committee Chairman Orth.

There being no discussion, Corinne Myers, General Counsel conducted a voice vote of the Commissioners for the approval of the minutes of the Credit Committee Meeting held on August 10, 2022. 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 August 10, 2022, are hereby approved.

2. Recommendation for Firm Approval of Financing for Fifty Washington Square (Newport)

Committee Chairman Orth announced that Caroline Dylag, Real Estate Development Officer would give the presentation.

Ms. Dylag began by saying that the request was for firm approval of a RI Housing tax-exempt construction loan in an amount not to exceed \$13,500,000, of which \$4,200,000 will remain as permanent debt; and a loan from the Capital Magnet Fund (“CMF”) program in the amount of \$750,000 for Fifty Washington Square (hereinafter referred to as the “Development”). Church Community Housing Corporation is the developer (“CCHC” or the “Developer”). The Development received preliminary approval for this financing from the Board of Commissioners on February 17, 2022 (“Preliminary Approval”).

Fifty Washington Square is on the National Register of Historic Places and is in the center of Newport’s historic and downtown commercial district. The structure was built in 1911 as the Army/Navy YMCA. In 1988, CCHC converted the structure into a mixed-use building using low-income housing tax credits (“LIHTC”) and other financing, which created LIHTC apartments, the 41

bed McKinney Cooperative Emergency Shelter, and commercial office space. Currently, the building has 93 apartments that are subsidized with project-based vouchers or Section 8 mod-rehab subsidies through the McKinney-Vento Program (“MVHAP Contract”). There are three different apartment types within the building: 55 small efficiencies, 15 large efficiencies, and 23 one-bedroom units. The Development was re-syndicated in 2004 and the 15-year compliance period has been completed.

Since preliminary approval, there have been several changes to the overall transaction to address budgetary issues. Most notably, CCHC has determined that it is more cost-effective to eliminate the RAD 2 conversion, which would have the effect of adding approximately \$5MM in additional labor cost based on the original scope of work. The impact of retaining the existing MVHAP contract for the short term is nominal, and CCHC may pursue the RAD 2 conversion at a later time if economically advantageous.

CCHC will undertake an extensive rehabilitation of the Development with both exterior and interior improvements. New sustainable features will be introduced such as solar panels and a new energy-efficient HVAC system with heating and cooling mini splits in each apartment and common areas. General interior and exterior improvements include replacing and repairing masonry and terracotta building elements and refurbishing all wood windows and doors. The domestic hot water storage and boilers will be replaced, and a new roof will be installed on the building. Since preliminary approval, the scope of work has been modified to keep the construction costs in line with the budget. The primary change is that the unit upgrades to some of the residential units will no longer be included in the scope of work. The upgrades will be completed over the next few years as units turn over.

The Developer will complete the acquisition and rehabilitation of the Development using proceeds from this tax-exempt financing and the sale of LIHTCs. The National Equity Fund, Inc. (“NEF”) will be the syndicator purchasing the 4% LIHTCs at \$0.91 per credit. The complete capital stack includes: (i) a RIHousing first mortgage loan, (ii) rollover of existing RIHousing debt, (iii) a Preservation Loan Program Fund Loan from the Affordable Housing Trust (“AHT”), (iv) two Building Homes Rhode Island loans, (v) a CMF loan, (vi) a Housing Production Fund (“HPF”) loan, (vii) proceeds from the sale of Federal Historic Tax Credits, (viii) two seller loans, (ix) a deferred developer fee, (x) a solar grant from Commerce RI, and (xi) a grant from the Federal Home Loan Bank of Boston’s Affordable Housing Program (“AHP”). All sources of funding have been secured.

Prior to closing for the refinance, CCHC intends to facilitate the transfer of the limited partnership interests in Fifty Square L.P., the current owner, from NEF Assignment Corporation and Fifty Square State Credit Investors, LLC to Church Community Housing Corporation. This transfer prior to closing will facilitate the acquisition and related seller loans to the new partnership.

There is approximately \$4,000,000 of existing RIHousing and AHT debt on the property, comprised of a RIHousing Targeted Loan, two AHT loans, a Threshold loan, a NOP loan, and accrued interest. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing requirements for rollover of existing debt.

Following the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Fifty Washington Square (Newport).

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

A brief discussion followed where Commissioner Dwyer asked if the guarantee required from the Developer is performance based. Anne Berman, Director of Real Estate Development confirmed that the bond guarantee is for the full construction loan.

Commissioner Dwyer also wanted to know what the rents are for the residential units. Ms. Berman stated that page six (6) of the write up provides a breakdown of the rents. The amounts vary depending on unit size and HAP contract requirements. Essentially there are two (2) HAP contracts for the development; one for rental and one for project based units.

Committee Chairman Orth addressed the \$9.3 million bridge loan and asked if staff was comfortable that the guarantee is sufficient security for the loan. Ms. Berman confirmed that the guarantee is satisfactory for the loan and staff is confident with the Developer's performance ability. Ms. Berman then stated that as the Developer is a known entity with numerous years' experience, staff is secure in their ability to meet deadlines.

Ms. Ventura announced for the record that Commissioner Saal arrived at 9:32 a.m.

There being no additional comments or questions, Corinne Myers, General Counsel, conducted a voice vote of the Commissioners. The commissioners unanimously voted to approve the motion.

Ms. Myers then officially stated that the recommendation for Firm Approval of Financing for Fifty Washington Square (Newport) was unanimously approved.

3. Recommendation for Firm Approval of Financing for The Residences at Riverside Square (East Providence)

Committee Chairman Orth asked Jeffrey Swanson, Senior Real Estate Development Officer to proceed with the presentation

Mr. Swanson said that the request was for firm approval of a RIHousing first mortgage taxable financing in an amount not to exceed \$725,000, a HOME Investment Partnerships Program (the "HOME Program") loan in the amount of \$1,885,000, and a Housing Trust Fund Program (the "HTF Program") loan in the amount of \$515,000 for The Residences at Riverside Square in East Providence (hereinafter referred to as the "Development"). Olneyville Housing Corporation d/b/a One Neighborhood Builders is the developer ("ONE/NB" or the "Developer"). The Development received preliminary approval for HOME and HTF financing from the Board of Commissioners on May 20, 2021 ("Preliminary Approval").

This firm approval will support the new construction and creation of 16 affordable rental units. ONE/NB was designated as developer by the City of East Providence to revitalize this long vacant and blighted property adjacent to the East Bay Bike Path. Upon completion, the 16 units will include 6 one-bedroom and 10 two-bedroom units serving residents with incomes that range from 30% AMI to 80% AMI.

The project has received approval from the East Providence Housing Authority ("EPHA") to provide three project-based housing vouchers for the one-bedroom units serving residents with incomes at or below 30% of AMI. These housing vouchers will be coordinated with Foster Forward Youth Initiative ("FFYI") and will provide supportive services for youths aging out of foster care.

Since preliminary approval of the soft loans in 2021, site engineering and plans have been completed and contractor pricing has been updated. Construction costs have increased by 40% and the small number of units impacts the economies of scale. The Developer will complete the Development using the proceeds from this taxable financing, a HOME Program loan, a Housing Trust Fund Loan, Building Homes Rhode Island funds from the RI Housing Resources Commission, and RI Rebounds Production Fund Program (“RIRPF”) funds which were approved on June 16, 2022.

Finally, Mr. Swanson said that the approval of \$725,000 in taxable first mortgage financing, \$1,885,000 in HOME Program funds, and \$515,000 in HTF Program funds is subject to certain conditions.

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 The Residences at Riverside Square (East Providence).

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

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

Commissioner Saal addressed the escalating prices and construction costs and asked if staff has encountered any specific challenges regarding material costs, especially for smaller projects. Mr. Swanson responded that there are some specific environmental costs due to use restrictions of the property. Market wise, staff has observed 30% cost increases for comparable work.

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

Ms. Myers then officially stated that the recommendation for Firm Approval of Financing for The Residences at Riverside Square (East Providence) was unanimously approved.

4. Recommendation for Firm Approval of Financing for Riverside Landing (Coventry)

Committee Chairman Orth announced that Dean Harrison, Assistant Director Real Estate Development would present the request.

Mr. Harrison began by noting that the request was for approval of RI Housing first mortgage taxable financing in an amount not to exceed \$165,000, for Riverside Landing in Coventry (hereinafter referred to as the “Development”). Coventry Housing Associates, Corporation is the developer (“CHAC” or the “Developer”).

The approval will support the adaptive reuse of two structures located along the Pawtuxet River that will provide six townhouse-style two-bedroom units, plus two single level two-bedroom units. All units will be income restricted to 50% AMI.

Originally purchased over 10 years ago by Omni Development Corporation (“Omni”), the development process for this project has been stalled due to several factors including flood plain issues. Those issues have been resolved, and Omni sold the property to CHAC using Site Acquisition Funds to develop.

CHAC will complete the new construction of the Development using the proceeds from this taxable financing, BHRI funds in the amount of \$2,713,357, and \$374,750 from the RI Rebounds Production Fund Program (“RIRPF”) which was approved on June 16, 2022.

Committee Chairman Orth thanked Mr. Harrison for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Riverside Landing (Coventry).

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

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

Commissioner Dwyer noted that the property was in a flood plain and asked if those issues were resolved. Mr. Harrison and Ms. Berman clarified that the flood plain issue was remedied. The maps were realigned so that the property is not in a flood plain area. Additionally, the project was adapted to address those issues.

Committee Chairman Orth wanted to know if there are any structural or insurance issue challenges. Mr. Harrison replied that there are no issues with the project.

Committee Chairman Orth also asked if the project follows standard Design and Construction standards. Mr. Harrison confirmed that there are no special construction variances and the proposal conforms to all construction codes.

Ms. Ventura mentioned that it’s a great location for the venture.

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

Ms. Myers then officially stated that the recommendation for Firm Approval of Financing for Riverside Landing (Coventry) was unanimously approved.

5. Discussion:

a. Pipeline Report

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

Ms. Berman began by saying that staff continues to move forward in processing deals for firm commitment. Ms. Berman announced that in December or January 2023, staff intends to bring to the board for firm approval four (4) of the five (5) projects that previously received 9% allocations.

Continuing, Ms. Berman explained that staff is actively working with development partners to move projects through the pre-development and due diligence stages. Construction cost increases and interest rate fluctuations continue to be a challenge.

Ms. Berman was pleased to report that RIHousing expects to release the next Consolidated Application by end of October. The Consolidated Application incorporates over 10 sources of funding; including 9% LIHTC, bonds and 4% LIHTC, HOME, Housing Trust Fund, Capital Magnet Funds, ARP and new initiatives proposed under the State Local Fiscal Recovery Funds (SLFRF).

RIHousing has collaborated with the Secretary of Housing and his department to develop guidelines for those programs and is excited to offer new resources as part of the RFP.

Ms. Berman then said that Development is working with the Finance Division on the pipeline to forecast projected tax credit needs to manage allocation of dollars and bond cap for FY2023 and FY2024.

Following the report, Committee Chairman Orth asked if a developer requests a 4% deal, if there's a concern that bond cap would not be available. Ms. Lachapelle clarified that staff is reviewing that situation, examining reserves and bond caps to ensure all multi-family deals are processed and no 4% transaction is declined.

Committee Chairman Orth then inquired if developers are experiencing construction cost overrun and other supply chain issues that might hinder them from closing on the projects. Ms. Berman stated that for the majority deals under construction, the developers are managing without too many hurdles. Staff does not have any concerns that the transactions will stall or not close.

Ms. Berman also mentioned that the IRS pushed forward placed in service dates for 2021 and 2022 tax credit transactions out a few years. Staff is extremely pleased with the adjustment.

The Committee also discussed the importance of value engineering and obtaining Design and Construction waivers. The Committee Chair wanted to know what the process was for waiver determinations. Ms. Berman confirmed RIHousing follows a collaborative approach to underwriting projects. Design and Construction attends all construction meetings and evaluates and reviews weeks before an item is procured to ensure that the final product is viable and sustainable.

The Committee Chairman then asked if there are any particular matters that Design and Construction is aware of related to supply chain matters. Mr. Swanson said that there is a long wait time for windows and fire safety components. Flexibility is the key in obtaining necessary materials.

Commissioner Saal referenced the tax credit deals that are slated for firm approval in December and January and asked how long it takes for a project to close. Ms. Berman responded that depending on the complexity of the transaction, it typically takes 60 to 90 days from firm approval to closing. Ideally, staff would prefer 45 days, but that timeframe can be challenging.

There were no votes taken regarding this item.

b. State Fiscal Recovery Fund (SFRF) Program Status Update

Committee Chairman Orth invited James Comer, Deputy Executive Director to proceed with the status update on the SFRF Program.

Mr. Comer commenced by saying that the Governor and Legislator has made an historical investment in State Fiscal Recovery Funds (SFRF) and affordable housing ventures. It's truly an unprecedented event. Presently \$250 million has been dedicated to programs addressing affordable housing or homelessness over the next four (4) years.

Mr. Comer then proceeded to highlight the various programs and amounts allocated for each initiative and the amount RIHousing has to date allocated for specific projects. Those investments include \$100 million in funding for the development of Affordable Housing; \$25 million for the Site Acquisition Program; \$20 million for the Middle Income Housing financing (formerly Workforce Housing

program); \$30 million for the Downpayment Assistance Program; \$10 million for a Predevelopment Program; \$25 million for Community Revitalization and Home Repair Program; and \$1.5 million for Predevelopment and Capacity Building. Additionally, \$10 million has been earmarked for a pilot program to assist Public Housing Authorities to finance the redevelopment of affordable properties.

Mr. Comer stated that the funding is an historic opportunity that represents the huge commitment from the State. RIHousing has been tasked with administering a significant number of the programs. That mandate necessitates a lot of work for staff. Staff has worked collaboratively with the Secretary of Housing and the Department of Housing on designing program guidelines, reporting forms and compliance matters to adhere to Pandemic Recovery Office's (PRO) regulations. Completed forms have been circulated to the Secretary of Housing for review and approval. Once approved by the Secretary of Housing, those program guidelines will be presented to PRO for verification and approval as allowable use of those Treasury dollars. Then PRO will then issue applicable compliance and reporting forms for each program.

RIHousing has received PRO compliance forms for most of the programs. The SAP program has been approved by PRO, the Production program is in queue to be approved, the Middle Income program is with the Secretary of Housing for his review and staff is working on the Downpayment Assistance Program. Once the forms are completed, they are forwarded to the Secretary for his approval and lastly to PRO for final approval. Once that process is complete, staff intends to deploy the funds through the one stop Consolidated Application RFP. The application is ready for release; staff is merely waiting for approval on the rest of the programs.

Mr. Comer then welcomed questions from the Committee.

Committee Chairman Orth remarked that there are a lot of programs to administer from Treasury with differing reporting and compliance procedures from HUD. He asked Mr. Comer what the framework is for the compliance process. Mr. Comer explained that while it's not the fastest course, the process with PRO has been very good. PRO has the primary responsibility for the allocation of the funds. Furthermore, PRO's role is to confirm that the process is justified and that the programs serve the requisite population. Staff has had numerous discussions on those matters with PRO and monthly and quarterly reports are circulated for review and approval that the money is spent appropriately.

The Committee Chairman also wanted to know if additional staff is required to perform compliance duties. Mr. Comer replied that a financial accountant has been hired to assist in the distribution of funds and an additional staff member has been engaged for Development. Once the programs are active, if further staff is required, then RIHousing has the opportunity hire additional staff.

The Committee Chairman referenced the Consolidated Application noting that it's a lot of sources to coordinate. Mr. Comer concurred, saying some sources will be listed outside the Consolidated Application such as the funding for the PHAs. For that program, staff will have to issue a separate application.

However, Mr. Comer remarked that the Consolidated Application is the easiest way to address the various funding sources under one submission, especially when seeking financing within a compressed timeframe.

Committee Chairman Orth wondered if Developers will be required to figure out exactly what funding they need and apply for that financing, or if staff has some discretionary oversight to steer the decisions to maximize the funding sources. Ms. Berman responded that the Developers need to consciously identify the funding they require, however RIHousing reserves the right to allocate a different funding source where applicable.

Commissioner Saal mentioned that in partnership with RIHousing he has discussed the subsidy issues and different guidelines and parameters of funding for the transactions. It's all part of the intake application process.

Ms. Ventura noted that timing of the expenditure of the funds is the challenge. Staff will need to actively manage those deadlines.

Finally, Committee Chairman Orth asked if the Development community understands and is prepared for the release of the new programs and Consolidated Application.

Mr. Comer assured the Committee that the Development community is hungry and looking forward to release of the RFP. Staff has engaged in numerous conversations with partners and developers regarding the new funding sources and all are excited about the one stop application.

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 Dwyer and seconded by Committee Chairman Orth to adjourn the meeting.

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

The Commissioners unanimously voted to adjourn the meeting at approximately 10:05 a.m.

In closing, Committee Chairman Orth thanked everyone for participating.

Respectfully submitted

Carol Ventura
Secretary and Executive Director