

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
October 13, 2021

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Board of Commissioners was held on Wednesday, October 13, 2021 at 9:30 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.

Carol Ventura, 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. Ms. Ventura 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 9:36 a.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners.

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

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; Seth St. Jean, Real Estate Development Officer; Milton Baxter, Real Estate Development Officer; Lauren Farley, Senior Program Manager; 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 August 11, 2021

Committee Chairman Orth asked for a motion and a second for the approval of the minutes of the Credit Committee meeting held on August 11, 2021. A motion was made by Commissioner Barry and seconded by Commissioner Tanner.

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 11, 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 August 11, 2021 are hereby approved.

2. Recommendation for Revised Firm Approval of Financing for Lincoln Lofts (Lincoln)

Committee Chairman Orth recognized Milton Baxter, Real Estate Development Officer who made the presentation.

Mr. Baxter said that staff was seeking revised firm approval of a RIHousing taxable first mortgage loan for Lincoln Lofts (the "Development"). The original amount of the loan was \$700,000.00; the new proposed loan amount is \$1,000,000.00. Dakota Partners, Inc. ("Dakota" or the "Developer") is the developer and LL Owner, LLC is the borrower ("LL Owner" or "Borrower").

Lincoln Lofts is a recently completed 45-unit affordable housing development in Lincoln, Rhode Island, which was an adaptive reuse historic mill conversion. Dakota previously received an allocation of 2018 Low-Income Housing Tax Credit and firm approval of a permanent RIHousing taxable first mortgage loan, a HOME program loan, a Housing Trust Fund loan, and a Capital Magnet Fund ("CMF") loan. Construction of Lincoln Lofts commenced in June 2018 and was completed in November 2020. The Development has been fully occupied since January 2021.

The final total development costs for Lincoln Lofts were \$735,557.00 more than projected when this project commenced in June 2019. The increase in development costs was the result of design and scope changes required by the State Historic Preservation Office to comply with the requirements of the Federal Historic Tax Credit program, lead paint remediation costs, and increased costs associated with subpar and incomplete work by framing and masonry subcontractors that were not recouped through arbitration or legal proceedings.

The financing gap created by the additional total development costs is being filled with additional federal historic tax credit equity, a Lead Remediation loan of \$277,150.00 from RIHousing, additional deferral of developer fee of more than \$100,000.00, and the requested increase of \$300,000.00 for the first mortgage loan.

Committee Chairman Orth thanked Mr. Baxter for the presentation and asked for a motion and a second to recommend to the Board of Commissioners Revised Firm Approval of Financing for Lincoln Lofts (Lincoln.)

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.

Chairman Retsinas asked if there had been a fire at this location. Mr. Baxter confirmed that the development did not sustain a fire.

Commissioner Barry asked if the original scope of work included provisions for additional expenses. Mr. Baxter explained that a 10% contingency is included in the scope; however due to unforeseen structural design issues, and additional site and pipe work, the developer utilized the contingency. Ms. Berman further elaborated by saying that it's not uncommon for mill properties to encounter additional expenses once they begin work. However, the total development per unit costs is well within guidelines. Reasonable due diligence was performed, and staff appropriately increased the first mortgage to address the additional requested funds.

Commissioner Orth inquired if lead abatement was included in the original contract. Ms. Berman verified that lead abatement was included; however due to the preservation regulations, there was additional cost associated with the manner the brick needed to be treated.

Commissioner Barry also wondered if the developer experienced any COVID-related issues. Mr. Baxter noted that there were a few minor issues in the beginning of the pandemic, but they were minimal.

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 Revised Firm Approval of Financing for Lincoln Lofts (Lincoln) was unanimously approved.

3. Recommendation for Preliminary Approval of Financing for Factory and Main Street Apartments (Cumberland)

Committee Chairman Orth mentioned that Seth St. Jean, Real Estate Development Officer would summarize this transaction for Factory and Main Street Apartments.

Ms. Berman introduced Mr. St. Jean and informed the Committee that he is a new Development Officer who has joined RIHousing from Connecticut Housing Finance Authority.

Mr. St. Jean said that the request was for preliminary approval of a RIHousing tax-exempt construction loan in an amount not to exceed \$4,000,000.00 and a taxable permanent loan not to exceed \$300,000.00 for Factory and Main Street Apartments ("FM" or the "Development"). Valley Affordable Housing Corp. ("VAH" or the "Developer") is the developer.

This preliminary approval will support the acquisition and rehabilitation of three existing portfolios, combining them into a single low-income housing tax credit project. The 75 units are in 18 buildings in scattered sites across a tight geographic area. The units and buildings are in average condition. Fifteen of the buildings were built in 1870 and three of the buildings were built in 2003.

VAH will undertake a moderate rehabilitation of the Development with both exterior and interior improvements. The scope of work for the renovation includes restoration of all deteriorated wood, metal, masonry, and concrete items. Other items will include an improved dumpster enclosure, addition of gutters and downspouts, and privacy fencing. Thirty of the units will receive new kitchen cabinets, and all bathrooms will have subfloors replaced and tile flooring installed.

The Developer will complete the acquisition and rehabilitation of the Development using the proceeds from this tax-exempt financing and the sale of LIHTCs, the taxable permanent loan, a preservation loan, a sponsor loan, and a seller loan. Michel Associates, LTD (“Michel”) will be the syndicator purchasing the 4% LIHTCs at \$0.905 per credit.

There is approximately \$2,936,000.00 of existing debt on these properties comprised of first mortgages with both RIHousing and other lenders, RIHousing Targeted Loans, and State of Rhode Island Housing Resources Commission loans. The first mortgages will be paid off at closing, but the subordinate debt will be assumed by the new borrower entity. As part of the approval process, staff has determined that the Development and sponsor meet RIHousing’s requirement 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 Preliminary Approval of Financing for Factory and Main Street Apartments (Cumberland).

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

Commissioner Orth noted that this entity is a smaller firm that works with medium sized deals and asked if staff had any reservations regarding competency. Ms. Berman acknowledged that it was a judgment call. Ms. Berman stated that Michel Associates is focused on smaller deals and has produced other viable developments.

Commissioner Barry asked how long the developer has been in business. Ms. Berman responded that they have been in business for over 20 years.

The Committee acknowledged that this project is difficult to fit into a specific category and speculated whether it would be simpler to supply a \$2 million preservation loan.

Ms. Berman and Ms. Ventura agreed with that concept, but unfortunately no federal source is yet available for this deal. Staff’s strategy is to explore every deal for an opportunity to disburse anticipated federal funds efficiently and effectively. Ms. Berman also stated that staff has engaged in conversations with the developer to review all sources of revenue that are available. Once this transaction is completed, the financial structure will ultimately be streamlined into one debt for the portfolios.

Finally, Committee Chairman Orth touched on the bridge loan and asked about measures to mitigate risk. Ms. Berman confirmed that 15% of equity is required upfront along with requiring assignments of the contract and guarantee at closing. Ms. Berman also noted that the developer consistently completes projects on time and under budget.

Committee Chairman Orth suggested that staff consider a pay-in installment schedule for the bridge loan. Ms. Berman said she would take that suggestion under advisement.

There being no further 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 Preliminary Approval of Financing for Factory and Main Street Apartments (Cumberland) unanimously was approved.

4. Recommendation for Firm Approval of Housing Trust Fund Program Funding for School Street Apartments (Central Falls)

Committee Chairman Orth introduced Lauren Farley, Senior Program Manager, who presented the request.

Ms. Farley said that this request is for firm approval of up to \$171,801.00 in Housing Trust Fund Program (“HTF Program”) funding for School Street Apartments (the “Development”), a six-unit affordable housing development owned and operated by the Central Falls Housing Authority (“CFHA”). CFHA has partnered with ONE Neighborhood Builders (“ONB”) to develop this property. School Street Apartments received preliminary approval for \$171,801.00 in HTF Program funds from RIHousing on September 17, 2020.

CFHA, in partnership with ONB, will construct a six-unit affordable housing development at 4 School Street in Central Falls. The new units will replace the existing two-unit building on the site, which will be demolished. Five units will be HOME Program-assisted. One one-bedroom unit will be HTF-assisted, restricted to 30% area median income, and have a project-based voucher. The ongoing underwriting for the entire transaction revealed a small financing gap of approximately \$227,203.00. However, due to HTF program requirements, the proposed HTF funding must be committed prior to October 23, 2021. Therefore, staff requests firm approval of HTF Program funding in an amount not to exceed \$171,801.00; approval for the balance of the funding will be sought at a later date.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Housing Trust Fund Program Funding for School Street Apartments (Central Falls).

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

A short conversation followed where Commissioner Tanner inquired if the development is project-based. Ms. Farley confirmed that fact.

Chairman Retsinas asked if the Developer is expanding its geographic reach. Ms. Farley mentioned that the Developer has projects in Central Falls and East Providence and is exploring other areas of opportunity.

Committee Chairman Orth wanted to know who owns the land. Ms. Farley explained that Central Falls Affordable Housing Corporation is the owner of the land. In follow-up the Committee Chairman wondered if there’s a way to leverage their equity to close the gaps. Ms. Berman said she will inquire about the soft costs and the land cost.

Following the comments, Ms. Myers, General Counsel, conducted a voice vote of the Commissioners. The Commissioners unanimously voted to approve the motion.

Ms. Myers then stated that the recommendation for Firm Approval of Housing Trust Fund Program Funding for School Street Apartments (Central Falls) was unanimously approved.

5. Recommendation for Approval of Transfer of Physical Assets (TPA) for Newport Heights Phase 1A and Phase 1B (Newport)

a. Newport Heights Phase 1A (Newport)

Committee Chairman Orth invited Anne Berman, Director of Real Estate Development to give the presentation.

Ms. Berman prefaced the request by noting that it was purely an administrative matter and the recommendation for approval will be addressed in two (2) phases. Ms. Berman said that the development is an interesting mix of project-based and market rate units and both Phases are performing well.

Continuing, Ms. Berman said that this request is for approval of the transfer of the limited partnership interest in Newport Heights Phase 1A (the “Development”), an affordable housing development for families located in Newport.

The owner of the Development is Trinity Newport Limited Partnership. The current general partner of the development is Trinity Newport, Inc. and it holds a .01% interest in the partnership. The two current limited partners in the Development are Garnet LIHTC FUND XXXII, LLC, the investor limited partner, and Transamerica Affordable Housing, Inc., the special limited partner (collectively, the “Transferor”). Collectively, the Transferor holds a 99.99% limited partner interest. The Transferor intends to withdraw and sell its partnership interests to Trinity Financial Asset LLC, an entity jointly owned by James G. Keefe and Patrick A.T. Lee, both affiliates of the general partner (collectively, the “Transferees”).

No new financing is currently anticipated. The Transferees are purchasing the partnership interest for \$1.00. The Transferees will assume all existing obligations encumbering the Development. The initial compliance period for the Development expired in 2019. Accordingly, the financial benefits of the tax credits and depreciation losses have been substantially realized by the Transferor. The transfer will coincide with the completion of the initial compliance period for the low-income housing tax credits.

The current property manager is Trinity Management LLC, an affiliate of the Transferees and Trinity Financial, Inc., the developer. No change in the management agent is contemplated.

After 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 Newport Heights Phase 1A (Newport).

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

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 to recommend to the Board of Commissioners the Approval of Transfer of Physical Assets (TPA) for Newport Heights Phase 1A (Newport) was unanimously approved.

b. Newport Heights Phase 1B (Newport)

Ms. Berman also reported on the request for the TPA for Phase 1B of Newport Heights.

As previously mentioned, Ms. Berman said that this request is for approval of the transfer of the limited partnership interest in Newport Heights Phase 1B, an affordable housing development for families located in Newport.

The owner of the Development is Trinity Newport Four Limited Partnership. The current general partner of the development is Trinity Newport Four, Inc. and it holds a .01% interest in the partnership. The two current limited partners in the Development are Garnet LIHTC FUND XXXII, LLC, the investor limited partner, and Transamerica Affordable Housing, Inc. the special limited partner (collectively, the “Transferor”). Collectively, the Transferor holds a 99.99% limited partner interest. The Transferor intends to withdraw and sell its partnership interest to Trinity Financial Asset LLC, an entity jointly owned by James G. Keefe and Patrick A.T. Lee, both affiliates of the general partner (collectively, the “Transferees”).

No new financing is currently anticipated. The Transferees are purchasing the partnership interest for \$1.00. The Transferees will assume all existing obligations encumbering the Development. The initial compliance period for the Development expired in 2019. Accordingly, the financial benefits of the tax credits and depreciation losses have been substantially realized by the Transferor.

The current property manager is Trinity Management LLC, an affiliate of the Transferees and Trinity Financial, Inc., the developer. No change in the management agent is contemplated.

After 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 Newport Heights Phase 1B (Newport).

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

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 Approval of Transfer of Physical Assets (TPA) for Newport Heights Phase 1B (Newport) was unanimously approved.

6. Discussion:

Committee Chairman Orth mentioned that before the Committee discussed the pipeline if there were any observations, questions, or updates that the Commissioners wanted to address.

Commissioner Tanner inquired on the status of the RentReliefRI program. Ms. Ventura announced that nearly \$50 million has been distributed to qualified applicants. Presently there are no new concerns. Staff is effectively paying out \$1 million daily which is a significant increase from previous distributions. Additionally, RIHousing has issued payment of \$16M to National Grid for utility arrearages. As applicants register for the program, National Grid will use the RentReliefRI payment to credit accounts.

Continuing, Ms. Ventura said that in recent weeks, staff has noticed an increase in efforts to defraud the program. The Corporation is coordinating with law enforcement and the DMV to investigate fraudulent licenses and potential identity theft. Presently, only a small number of payments have been dispersed on claims now believed to be fraudulent.

Efforts in community engagement, events and staffing in the court systems continues. Staff has noted high attendance at community events and is implementing a strategy to mitigate COVID concerns by instituting appointments for attendees.

Commissioner Barry wanted to know if the RentReliefRI payments are dispersed directly to the tenant or landlord. Ms. Ventura affirmed that the payments are directed to both the landlord and the tenant depending on circumstances. If the landlord does not cooperate when a tenant is seeking assistance, then those payments are remitted to the tenant.

Committee Chairman Orth asked if the Homeowner Assistance Fund Program has officially launched. Ms. Ventura responded that the program has not launched as RIHousing is waiting on Treasury's approval. Treasury has approximately 60 submissions pending review and is scheduling appointments with the State HFAs to review individual proposals. As of this meeting, RIHousing has not received notification for an appointment.

a. Pipeline Report

Following the RentReliefRI update, Ms. Berman provided a quick synopsis of the pipeline. Ms. Berman was pleased to share that the 2022 Qualified Allocation Plan approved by the Board of Commissioners in September has been signed by the Governor. She expressed her appreciation to staff and the IT department for working on a user-friendly platform for the applicants. Ms. Berman was delighted with the results and mentioned that staff will hold a training session with developers to familiarize them with the new system.

Ms. Berman reported that applications have been received for 4% deals, including one for 50 Washington Square. 50 Washington Square was one of the first tax credit transactions RIHousing funded.

Chairman Retsinas further elaborated that 50 Washington Square was originally built to accommodate interim housing at the Navy Y. The architect was based in Ohio and designed the development without ever visiting the actual site.

Furthermore, Ms. Berman noted that another worthy undertaking in the pipeline is a mill project in Woonsocket that incorporates workforce housing and tax credits.

Ms. Berman then informed the Committee that developers are beginning to experience challenges engaging professionals for activities such as environmental reports, engineering, and smaller architectural projects. In addition, staff is seeing longer lead times in receiving appraisals. These delays are beginning to result in disruptions to the development pipeline.

The Committee contemplated the reasons for the difficulty in locating and identifying surveyors, architects, and appraisers in this market. Ms. Berman opined that it's a supply issue, where there aren't enough vendors available to accommodate the volume of work being generated particularly from the private sector.

Committee Chairman Orth inquired about the status of the workforce housing projects. Ms. Berman said that due diligence is underway for Arctic Mill and staff has retained legal expertise to review standards. Additionally, staff is working with developers on educating them on the program.

Commissioner Barry felt that it would be beneficial to have a pool of qualified contractors and professionals to draw from. She noted that there is a lot work generated across the country and it can be challenging to locate qualified workers. Ms. Berman agreed, predominantly for some of the projects where the scope of work is relatively small, and contractors can select jobs that are larger.

Committee Chairman Orth recommended establishing an Advisory Committee or a roundtable for developers to flush out concerns and draw interest to RIHousing's programs. Ms. Berman concurred and said that it was a great suggestion.

Ms. Berman then informed the Committee that RIHousing received a national award for the Workforce Housing Program. Along with the award, an article in Affordable Housing Finance on the program is scheduled for release soon.

Ms. Berman also announced that RIHousing has hired a new Assistant Director for Development and the candidate will start on November 1.

Lastly, Ms. Ventura stated that the Governor's focus is on housing and remarked that there's the opportunity that plenty of federal resources will be available for advancing housing opportunities.

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 10:19 a.m.

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

Respectfully submitted

Carol Ventura, Secretary and Executive
Director