

Rhode Island Housing and Mortgage Finance Corporation
Minutes of the Meeting of the Credit Committee
October 9, 2020

The Credit Committee of Rhode Island Housing and Mortgage Finance Corporation (“RIHousing” or “Corporation”) was held on Friday, October 9, 2020 at 3:00 p.m. The meeting was held via telephone conference call pursuant to Executive Order 20-46 (extended by Executive Order 20-84, and as may be further amended or extended).

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

Mr. Rotella stated that (i) the meeting would be recorded and available for review on the RIHousing website within 3-5 business days after the meeting and (ii) except for the Committee members, Board of Commissioners (in attendance) and specific RIHousing staff, all callers will be muted during the meeting. 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, Nicole Clement, General Counsel, provided additional information for those participating in the meeting. Ms. Clement stated that (i) pursuant to Executive Order 20-46 (as extended by Executive Order 20-84 and as may be further amended or extended), the meeting was being held via teleconference, (ii) members of the public could visit the RIHousing website to view the agenda and information on the actions being taken and (iii) in the event the teleconference was interrupted, staff would stop the meeting until audio was restored.

Ms. Clement also stated that Committee Chairman Orth would preside over the meeting and requested that any Commissioner or staff to state their name prior to speaking and to mute the phone when not speaking. Ms. Clement then invited Commissioner 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 3:39 p.m. Committee Chairman Orth then invited Ms. Ventura to proceed with the roll call of Commissioners and RIHousing staff (in attendance).

Ms. Ventura then conducted a roll call vote of Commissioners and staff participating in the meeting. Commissioners participating via conference call were: Committee Chairman Orth; Chairman Nicolas P. Retsinas; and Maria Barry. Elizabeth Tanner, Director of the Department of Business Regulations was absent.

RIHousing staff participating were: Carol Ventura, Executive Director; James Comer; Deputy Executive Director; Kara Lachapelle, Chief Financial Officer; Lisa Primiano, Chief Operating Officer; Eric Shorter, Director of Development; Christine Hunsinger, Assistant Deputy Director External Affairs, Policy & Research; Nicole Clement, General Counsel; Anne Berman, Assistant Director of Development; Jeffrey Swanson, Development Officer; Milton Baxter, Development Officer; Michael DiChiaro, Assistant Director Development/Asset Management & Compliance; and Carl Rotella, Director of Information Technology.

The following matters were discussed by the Committee.

1. Approval of Minutes of the Credit Committee Meeting Held on September 9, 2020

Committee Chairman Orth asked for a motion and a second for the approval of the Credit Committee minutes held on September 9, 2020. A motion was duly made by Chairman Retsinas and seconded by Commissioner Barry. There being no discussion, Nicole Clement, General Counsel conducted a roll call vote of the Commissioners. The commissioners voted as follows:

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|--------------------|-----|
| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

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

VOTED: That the minutes of the Credit Committee Meeting held on September 9, 2020 hereby are approved.

2. Recommendation for Revised Approval of Supportive Housing Acquisition Program Award for Rockville Mill

Committee Chairman Orth introduced James Comer, Deputy Executive Director, who presented the request.

Mr. Comer clarified that this request is for a revised approval of Supportive Housing Acquisition Program financing for Rockville Mill, a 14-unit affordable housing development in Hopkinton, Rhode Island. In September 2020, the Board of Commissioners approved an award of \$775,000.00 for this purpose based on an initial offer by applicant, Marathon Construction, Inc. (“MCI”), to the court-appointed receiver controlling the subject property; however, with the public bidding process now complete and a final purchase price established, staff requests Board of Commissioner (the “Board”) approval of a revised award in the amount of \$920,000.00.

The Board may recall that in response to the COVID-19 public health crisis, the State of Rhode Island made funds available from the State’s Coronavirus Relief Fund (“CRF”) allocation under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, to acquire real property for the immediate purpose of providing supportive housing for individuals and families experiencing homelessness. Following a competitive process, staff recommended the approval of three projects totaling \$2,058,700.00, including \$775,000.00 to MCI for Rockville Mill. This funding was approved at a regular meeting of the RIHousing Board of Commissioners on September 17, 2020.

Subsequent to the September Board meeting, on September 21, 2020, a hearing was held in Rhode Island Superior Court in the matter of the disposition of Rockville Mill. All prospective buyers were afforded the opportunity to improve upon their submitted offers and an auction was conducted. Multiple parties participated in the auction. At the conclusion, the acquisition price of the property had increased from MCI’s initial offer of \$710,000.00 to a best and final price of \$855,000.00, which was accepted by the receiver and approved by the judge.

Consistent with its initial application to RIHousing for Supportive Housing Acquisition Program funding, MCI contemplates transaction costs not to exceed \$65,000.00, for a total revised award request of \$920,000.00.

Committee Chairman Orth thanked Mr. Comer for the presentation and asked for a motion and a second to recommend to the Board of Commissioners the Revised Approval of Supportive Housing Acquisition Program Award for Rockville Mill.

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

Following the motion, Committee Chairman Orth asked if anyone had questions or comments. No questions were presented.

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

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

Ms. Clement stated that the recommendation for Revised Approval of Supportive Housing Acquisition Program Award for Rockville Mill was unanimously approved.

3. Recommendation for Firm Approval of Financing for Beachwinds (Narragansett)

Jeff Swanson, Development Officer, gave this presentation.

Mr. Swanson stated that this is the refinance of two separate post year-15 low-income housing tax credit (“LIHTC”) projects, South Winds and Beachwood, both of which are located in Narragansett and were constructed in 1977. South Winds Apartments contains 3 buildings and contains 42 one-bedroom units and 6 two-bedroom units. Beachwood Apartments contains 1 building with 3 wings linked by common corridors with 52 one-bedroom units and 4 two-bedroom units. In total the Development will have 104 units.

Both Beachwood and South Winds were refinanced in the early 2000’s with financing from Rhode Island Housing and Mortgage Corporation (“RIHousing”). The existing first mortgages for both sites will be paid off as part of this transaction. South Winds also has a Affordable Housing Trust Fund (“AHT”) loan that is payable from surplus cash. The original loan, made in 2001, was for \$1,400,000 and was made because at the time, the highest and best use for the property was as market rate condominiums rather than affordable housing. Payments are required annually in an amount equivalent to 50% of surplus cash (if any) generated by the property. Over the past 15 years the property has made regular payments, but they have not even covered the accrued interest. Staff is recommending that as part of this transaction POAH make a payment of approximately \$900,000 towards the AHT loan paying off 100% of the accrued interest and reducing the principal balance from \$1,400,000 to \$920,000.

Therefore, staff has underwritten the permanent loan to the HAP rents that will be in place at closing which are equal to the current market rents. This does not fully repay the AHT loan but

does ensure a strong first mortgage with a healthy debt service coverage that will allow repayment over the first 6-7 years of the loan. The project will make annual payments equivalent to the greater of 50% or surplus cash or \$153,333 annually, with a cap of 60% of surplus flow. This will make certain that the loan can be repaid within seven years. RIHousing will also require the affordability period to be extended for an additional 40 years while the alternative HUD loan has no such requirement.

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

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

There being no discussion, Nicole Clement, General Counsel, next conducted a roll call vote of the Commissioners. The commissioners voted as follows:

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

Ms. Clement then stated that the recommendation for approval of the Firm Approval of Financing for Beachwinds (Narragansett) was unanimously approved.

4. Recommendation for Firm Approval of Financing for Riverside House Apartments
(East Providence)

Jeff Swanson, Development Officer, also presented this request.

Mr. Swanson began by saying that this request is for firm approval of a taxable permanent loan for Riverside House Apartments (the “Development”). The project is currently financed by RIHousing. The Development is legally owned by Willett/Riverside, LLC. No change in ownership is anticipated as part of this transaction.

Riverside House Apartments is an existing 55-unit elderly affordable housing development located in the Riverside neighborhood of East Providence, RI. The property is subsidized by a Section 8 Housing Assistance Payment (“HAP”) Contract that is effective through November 2033. The owner is seeking to refinance the Development with a taxable first mortgage in the principal amount of \$6,286,500. The proceeds of the new financing will be utilized to pay off the existing mortgage, undertake various unit and common area upgrades, recapitalize the reserves, and make an equity distribution to the partners. The proposed refinancing is consistent with RIHousing’s taxable loan program that was introduced to replace the Treasury-HUD Federal Financing Bank (“FFB”) HFA Multifamily Risk Sharing Loan Financing Initiative, which was suspended by HUD in 2018. As part of the approval process, staff has determined that the Development and owner meet RIHousing’s requirements for participating in the taxable loan program.

Riverside House consists of one tax parcel containing 2.80 acres located along Willet Avenue in the Riverside neighborhood of East Providence. The improvements are located within a single

3-story apartment building constructed in 1983. Along with the 55 residential units the building contains a management and resident services coordinator's office, common laundry room on the first floor, and a common room with a full kitchen. The building also has a hair salon and library.

There are 50 one-bedroom units and 5 two-bedroom units. Each unit has a similar layout with a kitchen featuring an electric range, refrigerator, microwave and dishwasher as well as a space for a small table for dining. The living rooms all feature a sliding, metal frame, screened window and through the wall air conditioning unit. The two-bedroom units feature a larger master bedroom and a smaller second bedroom. The bedroom and bathrooms have emergency pull cords for tenants. Communal amenities at the subject property include a sitting area in the lobby of the building, laundry room, community room with a full kitchen as well as an outdoor seating and smoking area to the rear of the property.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Financing for Riverside House Apartments (East Providence).

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

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

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the Firm Approval of Financing for Riverside House Apartments (East Providence) was unanimously approved.

5. Recommendation for Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Financing for Brookside Terrace Phase II (East Greenwich)

Committee Chairman Orth recognized Milton Baxter, Development officer, who reported on the financing for Brookside Terrace Phase II.

Ms. Berman stated that this transaction is for firm approval of a reservation of up to \$1,239,502 in 2020 9% low-income housing tax credits ("LIHTC") and firm commitment of financing of a first mortgage in the amount of \$1,125,000 and a Housing Trust Fund ("HTF") Program loan in the amount of \$720,000 for Brookside Terrace II (the "Development" or "BT Phase II"). Dakota Properties, Inc. is the developer ("Dakota" or the "Developer").

The Development is the second phase of a two-phase 96-unit affordable housing development in East Greenwich. BT Phase II will consist of 48 units in 2 three-story garden-style newly-constructed residential buildings. The proposed buildings will provide a mix of 12 one-bedroom and 36 two-bedroom units and will benefit from a single-story community building and other site infrastructure being built as part of Brookside Terrace Phase I ("BT Phase I"). The Development

will include energy-efficient elements including passive housing design and meet National Grid's Residential New Construction Tier II standards. The 17-acre site is well located along South County Trail (Route 2) and is close to many shopping and recreation amenities. Much of the site is wetlands and unsuitable for further development and these areas will remain undisturbed.

Six units will be designated as HUD Section 811 Program units with an associated HUD Section 811 project-based voucher contract. The remaining 42 units will be restricted to residents with incomes at or below 60% AMI. A market study recently commissioned for BT Phase I supports the proposed 60% AMI units evidencing desirable penetration and absorption rates. A new market study has been commissioned for BT Phase II to confirm the proposed rents remain consistent with the proposed underwriting.

Santander Bank, N.A. will be the construction lender. Redstone Equity Partners will be the LIHTC investor with pricing at \$.9425, up from \$.92 from preliminary approval. These 2 partners represent a change from BT Phase I in which Bank of America was both the construction lender and the LIHTC syndicator.

Since preliminary approval, the first phase of the Brookside Terrace development closed and started construction. The data from on-going work has resulted in an increase in construction and soft costs for BT Phase II. The general contractor encountered significant ledge at the site that was not previously identified in the geotechnical reports for BT Phase I and this is the primary driver for the increased construction pricing. Soft costs increases were the result of refinement of budget items and the addition of playground equipment to the furniture, fixtures, and equipment line item. The total per unit development costs increased about 2%, from approximately \$276,000 to \$281,000 per unit. The total development cost per unit remain within the RIHousing total development costs limits for garden-style new construction.

After the presentation, Committee Chairman Orth asked for a motion and a second to recommend to the Board of Commissioners Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Financing for Brookside Terrace Phase II (East Greenwich).

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

Committee Chairman Orth commented that this application is the third endeavor for Dakota Partners and will increase the affordable housing units in East Greenwich. He was pleased to see that the town provided zoning changes to facilitate this venture.

Committee Chairman Orth then acknowledged that RIHousing is not providing the construction financing but wanted to know if staff has a policy and standards for the conversion of construction loans to permanent loans.

Mr. Baxter explained that once the equity payment has paid down the construction loan, it then converts to a permanent loan. Committee Chairman Orth also inquired about the debt service and occupancy and if the Corporation has an established requirement in place. Anne Berman, Assistant Director of Development, responded that the Corporation does not have a stabilization requirement, however once the final syndication installment is received and the property is leased up, it will be at 95% occupancy. The documents do not contemplate a specific debt coverage.

Committee Chairman Orth suggested that staff review that concept, that as a lender it is valuable to incorporate that provision. Ms. Berman agreed with the recommendation and noted that staff has contemplated creating that policy.

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

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the Firm Approval of Reservation of Low-Income Housing Tax Credits (LIHTC) and Financing for Brookside Terrace Phase II (East Greenwich) was unanimously approved.

6. Recommendation for Transfer of Physical Assets (TPA) for Village Woonsocket Apartments (Woonsocket)

Committee Chairman Orth recognized Anne Berman, Assistant Director of Development, who reported on the transfer of physical assets for Village Woonsocket Apartments.

This Request for Action (“RFA”) is for approval of the transfer of the general partnership interest in Village Woonsocket Apartments (aka Blackstone Terrace) (the “Development”), an affordable family housing development located in Woonsocket.

The Development consists of 122-unit family apartment at 2 adjacent sites. Originally built between 1975 and 1982, the Development was purchased and refinanced in 2011 through the Low-Income Housing Tax Credit (“LIHTC”) Program and with tax-exempt bond financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). In total, the Development consists of 40 one-bedroom, 49 two-bedroom, 41 three-bedroom and 5 four-bedroom units. All the apartments in the Development currently receive project-based Section 8 assistance pursuant to 3 Housing Assistance Payment (“HAP”) contracts. The Development’s initial 15-year compliance period ends in 2027 and the LIHTC restrictions remain until 2042. The Regulatory Agreement expires in 2052.

Fairstead Affordable, LLC (“Fairstead”) has requested RIHousing’s approval to sell the general partnership interest to Village Woonsocket FA Owner, LLC, (the “Transferee”), a Delaware limited liability company wholly owned by FA Acquisitions II LLC, an affiliate of Fairstead. Under RIHousing’s Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, as amended (the “TPA Regulations”), project owners must obtain RIHousing’s approval and comply with RIHousing’s administrative procedures for the transfer of physical assets before conveying, assigning or transferring any ownership interest in a multifamily housing project.

The owner of the Development is Village Woonsocket, L.P. The current general partner of the development, Village Woonsocket Management, LLC, (“VWM”), a Rhode Island limited liability company, holds a .01% interest in the partnership. The manager of VWM is Drew Fitch of Atlantic Development, LLC. The current investor limited partners in the Development are

affiliates of Boston Capital Corporation. Boston Capital Corporate Tax Credit Fund XXXV (“BCCTCF”) holds a 99.99% interest and BCCC, Inc. is a special limiter partner with no ownership interest.

Fairstead will provide the equity for the Transferee to purchase the general partner interest from VWM. No new financing is currently anticipated. The Transferee will assume all existing obligations encumbering the Development.

Approximately \$5.3 million in repairs were undertaken when the Development was financed in 2011. Exterior repairs included new roofing, windows and doors, as well as extensive site work and drainage improvements. Interior work included mechanical and electric upgrades, fire protection improvements, kitchen and bathroom renovations and upgrades to meet ADA requirements. The entire heating and domestic hot water system at the primary site were modernized as well. Fairstead has commissioned a capital needs assessment (“CNA”). The Development appears to be in good condition. The initial draft of the CNA identified only \$350 of critical repairs and shows that the replacement reserve is adequately funded beyond the initial compliance period of the Development.

When refinanced in 2011, the Development received a loan from the Affordable Housing Trust Fund (“AHT”) to be paid out of surplus cash. The current loan balance is approximately \$454,970. It is anticipated that the balance will be repaid at the end of the current fiscal year (12/31/2020) upon receipt and approval of the audited financial statement.

The staff of the Asset Management Department and Development Division jointly reviewed this request under the TPA Regulations and determined that the proposed transaction complies with the regulatory requirements. The Development received a score of 88 out of 100 under RIHousing’s risk rating protocol. The debt service coverage was 1.25 in December 2019. The operating and replacement reserves are well funded.

As part of the transfer, the existing property manager will be replaced by SHP Management Corp. (“SHP”). SHP has been an active manager of affordable and subsidized properties since 1992. Currently, they manage 69 projects with more than 11,000 units for both related and unrelated entities. SHP currently manages Fairstead’s properties in Ohio, Connecticut, Florida and RI. There is no identity relationship between SHP and Fairstead. SHP has managed numerous properties in RIHousing’s portfolio over the past 30 years, and currently manages several developments in RI including 2 properties owned by Fairstead.

In addition to RIHousing’s approval, the U.S. Department of Housing and Urban Development (“HUD”) must approve both the transfer of the general partner interest and the change in management agent. Two separate HUD approvals are required; HUD must approve under the Section 8 program and because the permanent loan is insured with HUD, under the Risk Sharing program as well.

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

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

Nicole Clement, General Counsel, next conducted a roll call vote of the Commissioners. The commissioners voted as follows:

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

Ms. Clement stated that the recommendation to recommend to the Board of Commissioners the Transfer of Physical Assets (TPA) for Village Woonsocket Apartments (Woonsocket) was unanimously approved.

7. Discussion:

a. Pipeline Report

Eric Shorter announced that in consideration for everyone's time he would provide a quick and concise update of the pipeline. Mr. Shorter said he wanted to focus on Barbara Jordan II as this is a major redevelopment that is very important for the City. Mr. Shorter shared that staff is holding biweekly meetings with the Developer, the City and the community coalition for Barbara Jordan II. Mr. Shorter has also engaged in conversations with Representative Williams to bring her up to speed on the progress of the development. Everyone is highly supportive of the proposed plan and staff is working with Omni/Wingate to finalize a purchase and sales agreement. The next step for the Developer is to submit an application for the next scheduled tax credit round.

Mr. Shorter then welcomed questions from the Committee. Committee Chairman Orth inquired if there are any projects that are experiencing significant delays. Mr. Shorter responded that most of the construction projects are progressing nicely alongside with obtaining COVID-19 affidavits for all projects underway. Mr. Shorter did not have any issues to report.

Chairman Retsinas asked Mr. Shorter if new construction projects are affected by the increase of lumber costs. Mr. Shorter replied that the projects presently under construction are currently not impacted by the increase in lumber costs.

Mr. Ventura then informed the Committee that the Lippitt Mill project has been experiencing some constructions issues. The Executive Director remarked that the Development team is actively working with the Developer and Citizens, the primary lender, to resolve the outstanding issues. Committee Chairman Orth inquired if Lippitt Mill is required to be completed by the end of the year to retain the tax credits. Anne Berman, Assistant Director of Development, confirmed that is the situation.

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 Chairman Retsinas to adjourn the meeting.

Ms. Clement then conducted a roll call vote of the Commissioners in response to a motion for adjournment. The Commissioners voted as follows:

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| Commissioner Orth | Aye |
| Chairman Retsinas | Aye |
| Commissioner Barry | Aye |

The meeting was adjourned at 3:58 p.m.

In closing, Committee Chairman Orth thanked and wished everyone a great weekend.

Respectfully submitted

Carol Ventura, Secretary and Executive
Director