

**Request for Action**  
**by**  
**Board of Commissioners**

**Approval of Transfer of Physical Assets (TPA) for Douglas Manor Apartments**

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the transfer of the limited partnership interest in Douglas Manor Apartments (the “Development”), an affordable housing development for seniors and disabled households located on Douglas Avenue in Providence.

The Development consists of 100 apartment units in a single masonry building and associated parking. Originally developed as affordable housing in 1977, in 2010, the Development was refinanced utilizing the Low-Income Housing Tax Credit (“LIHTC”) Program and tax-exempt bond financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). In total, the Development consists of 90 one-bedroom and 10 two-bedroom units. All the apartments in the Development currently receive project-based Section 8 assistance pursuant to a Housing Assistance Payment (“HAP”) contract. The Development’s initial 15-year compliance period ends in 2025 and the LIHTC restrictions remain until 2040. The Regulatory Agreement expires in 2050.

Cathedral Development Group (“CDG”) has requested RIHousing’s approval of the transfer of the limited partnership interest to DM Investor, LLC (the “Transferee”), a Rhode Island limited liability company affiliated with CDG. 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.

2. Discussion

The owner of the Development is Douglas Manor Apartments, LP. The current general partner of the development is DMA Associates, LLC, a Rhode Island limited liability company affiliated with CDG that holds a .01% interest in the partnership. The 2-current investor limited partner(s) in the Development are The Washington Trust Company and Washington Financial LLC (the “Washington Trust Partners”). Collectively, Washington Trust Partners holds a 99.9% limited partner interest. Washington Trust Partners intends to withdraw and sell their partnership interests to the Transferee.

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

Approximately \$1.45 million in repairs were undertaken when the Development was financed in 2010. Since that time, additional capital expenditures have been made to mechanical systems, the

telephone access system and common areas. Unit upgrades are routinely completed upon turnover. The Development underwent a REAC inspection in 2018 and received a score of 92b.

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 1.5 in December 2019. The operating and replacement reserves are well funded.

The current property manager is Property Advisory Group, Inc, also an affiliate of CDG. No change in the management agent is contemplated. The transfer of the limited partnership interest in the Development will allow CDG to buyout the limited partner after the limited partner's tax credits have been fully utilized but before the initial compliance period expires.

2. Recommendation

The attached resolution approving the transfer of the limited partnership interest, subject to the conditions contained therein, is recommended for approval.

3. Attachments

- A) Resolution

## **Attachment A**

### **Resolution of the Board of Commissioners of Rhode Island Housing Mortgage and Finance Corporation**

WHEREAS: under Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, (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; and

WHEREAS: Cathedral Development Group (“CDG”), seeks approval of the transfer of the limited partnership interest in Douglas Manor Apartments, LP., the owner of Douglas Manor Apartments (the “Development”), from The Washington Trust Company and Washington Financial LLC (the “Washington Trust Partners”) to DM Investor, LLC, an affiliate of CDG; and

WHEREAS: staff has reviewed this request under the TPA Regulations and determined that the proposed transaction complies with the regulatory requirements.

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: that the transfer of the limited partnership interest in the Development from the Washington Trust Partners to DM Investor, LLC be, and hereby is, approved, subject to the following terms and conditions:

1. Receipt by RIHousing of all application materials required in Phases 2 and 3 of the TPA Regulations except for such requirements as may be waived or modified by the Executive Director, consistent with the nature of this transaction and protection of the interests of RIHousing; and
2. Receipt by RIHousing of the transfer Processing Fee, as defined in the TPA Regulations; and
3. Satisfaction of any additional requirements that the Executive Director believes to be necessary or advisable to protect the interests of RIHousing with respect to the Development.

RESOLVED: that the Executive Director, the Deputy Executive Director, or the Director of Development each acting singly, be and hereby is authorized to execute and deliver on behalf of RIHousing all documents necessary or advisable to consummate such transfer and to take such further actions as he or she shall deem necessary or advisable in connection therewith.

Approval of Transfer of Physical Assets (TPA) for  
Douglas Manor Apartments

December 17, 2020