

Request for Action
by
Board of Commissioners

Approval of Transfer of Physical Assets (TPA) for Sutterfield Apartments

1. Summary of Issues

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

The Development consists of 144 apartment units in several buildings with associated parking. Originally developed as affordable housing in 1992, the Development was sold and refinanced in 2006 utilizing the Low-Income Housing Tax Credit (“LIHTC”) Program and tax-exempt bond financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). The Development consists of a mix of 1, 2, and 3-bedroom units. Sixty units benefit from a Project-Based Voucher (“PBV”) Contract through the Providence Housing Authority. The Development’s initial 15-year compliance period ends in 2022 and the LIHTC restrictions remain until 2037. The Regulatory Agreement expires in 2046. The Development was originally financed using a conduit transaction in which Freddie Mac provided the credit enhancement and assumed the financial obligations. The developer, Fairfield Residential LLC (“Fairfield”), is now seeking to redeem the bonds and refinance the property as part of a larger portfolio restructuring.

Fairfield has requested RIHousing’s approval of the transfer of the limited partnership interest to FFI Sutterfield Investor LLC and FFI Sutterfield SLP LLC (the “Transferees”). The Transferees are Delaware limited liability companies affiliated with Fairfield. 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 Fairfield Sutterfield LP. The current general partner of the development is FFI Sutterfield LLC, a Delaware limited liability company affiliated with Fairfield that holds a .099% interest in the partnership. The 2 current investor limited partners in the Development are AMTAX Holdings 735, LLC and TCHII Pledge Pool LLC (the “Alden Torch Investors”). Collectively, Alden Torch Investors holds a 99.901% limited partner interest. Alden Torch Investors intends to withdraw and sell their partnership interests to the Transferees.

No new financing is currently anticipated. Fairfield will repay 2 subordinate loans from RIHousing totaling approximately \$1,814,000 as part of the bond redemption at which time RIHousing will have no financial interest in the property. The Transferees will assume all existing obligations encumbering the Development.

Fairfield undertook \$7 million in repairs in 2006. 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. As a conduit transaction, RIHousing does not hold reserves or perform an annual risk rating analysis.

The current property manager is Fairfield Properties LP, an affiliate of Fairfield. No change in the management agent is contemplated. The transfer of the limited partnership interest in the Development will allow Fairfield 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: Fairfield Residential LLC (“Fairfield”), seeks approval of the transfer of the limited partnership interest in Fairfield Sutterfield LP, the owner of Sutterfield Apartments (the “Development”), from AMTAX Holdings 735, LLC and TCHII Pledge Pool LLC (the “Alden Torch Investors”) to FFI Sutterfield Investor LLC and FFI Sutterfield SLP LLC, both affiliates of Fairfield; 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 Alden Torch Investors to FFI Sutterfield Investor LLC and FFI Sutterfield SLP 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.