

Request for Action
by
Board of Commissioners

**Approval of Transfer of Physical Assets (TPA)
for Bellevue Apartments**

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the transfer of the limited partnership interest in Bellevue Apartments (the “Development”), an affordable scattered site family housing development located in the West End neighborhood in Providence.

The Development is a scattered site project comprised of 7 two- and three-story buildings containing a total of 19 apartments located on Hollis Street and Bellevue Avenue in Providence. In 1997, the existing buildings were converted into affordable housing under the Low-Income Housing Tax Credit (“LIHTC”) Program and utilized financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). The Development consists of 10 two-bedroom, 5 three-bedroom, and 4 four-bedroom units. All the apartments in the Development are currently encumbered with affordability use restrictions required by the LIHTC Program. The restrictions require that for the remaining term of the original 30-year mortgage period, which matures in 2028, 100% of the units must remain affordable to families with household incomes less than 60% of the area median income (“AMI”). The initial compliance period for the Development expired at the end of 2012. Accordingly, the financial benefits of the tax credits and depreciation losses have been substantially realized by the original tax credit investor.

West Elmwood Housing Development Corporation (“WEHDC”), has requested RIHousing’s approval of the transfer of the limited partnership interest of the Development to Hope Renewed Realty Corporation (the “Transferee”), a Rhode Island non-profit corporation wholly owned by WEHDC. 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

Since project completion, WEHDC has endeavored to maintain the Development, making improvements as necessary to ensure sustainability. In general, vacancy has remained low since initial occupancy. The apartments are conveniently located relative to schools, retail, employment, public transportation and highway access.

The owner of the Development is Bellevue Development Associates, L.P. The current general partner of the development, Hollis Development Corp., a Rhode Island corporation, is an affiliate of WEHDC and holds a 1% interest in the partnership. The current investor limited partner in the

Development is The Housing Outreach Fund VI, LP (“HOF VI”), an affiliate of Enterprise Community Partners. HOF VI holds a 99% limited partner interest. HOF VI intends to withdraw from the partnership and donate their interest to the Transferee.

WEHDC’s goal for the transfer is to facilitate the exit of HOF VI and position itself to refinance and rehabilitate the Development in the next 12-18 months. WEHDC and RIHousing have had preliminary discussions regarding a future refinance utilizing tax-exempt bonds and 4% LIHTCs.

Annual cash flow is minimal due to the existing rents, which are skewed to the low end of the AMI income limits. A capital needs assessment was conducted for the property in August 2018 and it indicated significant needs across all building sites. When the property is refinanced, anticipated improvements would include structural and exterior work on the buildings, sitework, roof repairs and replacement, and internal updates to some kitchens, baths, common areas and systems.

The staff of the Asset Management Department and Development Division jointly reviewed this request under the TPA Regulations and determined that despite the challenges to the physical condition and the limited cash flow, the proposed transaction complies with the regulatory requirements. The Development received an average score under RIHousing’s risk rating protocol. The debt service coverage (“DSC”) was 2.3 in 2018 but fell to .13 at the end of 2019 due to an increase in turn over and the need to complete significant repairs to the vacant units. The DSC has increased back to 2.55 as of year to date 6/30/2020. The operating and replacement reserves are adequately funded. Annual operating expenses are considered average and acceptable for a 23-year-old property. First Realty Management (“FRM”) is the current property manager.

FRM has been managing the property prudently given the financial constraints and has been able to address the most significant maintenance issues at the Development. The transfer of the limited partnership interest in the Development will allow WEHDC to control the Development as it determines how best to refinance and rehabilitate the property to preserve the long-term affordability of the units.

3. Recommendation

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

4. 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: West Elmwood Housing Development Corporation (“WEHDC”), seeks approval of the transfer of the limited partnership interest in Bellevue Development Associates, L.P. (the “Development”) from The Housing Outreach Fund VI, LP (“HOF VI”) to Hope Renewed Realty Corporation, an affiliate of WEHDC; 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 HOF VI to Hope Renewed Realty Corporation 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.