

**Request for Action  
by  
Board of Commissioners**

**Approval of Transfer of Physical Assets (TPA) and Prepayment  
for Cove Properties**

1. Summary of Issues

This Request for Action (“RFA”) is for: (i) approval of the transfer of the limited partnership interest in Cove Properties (the “Development”), an affordable housing development for families located on Huling Road in North Kingstown, and (ii) the prepayment of the first mortgage loan of the Development.

The Development consists of 18 apartment units in 14 buildings and associated parking. Originally developed as affordable housing in 1992, the Development was financed utilizing the Low-Income Housing Tax Credit (“LIHTC”) Program and financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). The Development’s 30-year Regulatory Agreements expire in 2023.

Under RIHousing’s Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (as amended from time to time, the “TPA Regulations”), project owners must obtain RIHousing’s approval and comply with RIHousing’s administrative procedures for the transfer of physical assets and prepayment of the mortgage before conveying, assigning or transferring any ownership interest in a multifamily housing project.

2. Discussion

The owner of the Development is Cove Properties of Wickford, L.P. (“Cove LP”). Cove Properties of Wickford, Inc. (“Cove Inc.”), the general partner of the Development and a Rhode Island domestic profit corporation, holds a 1% interest in the partnership. The current investor limited partner in the Development is the Rhode Island Housing Equity Pool, L.P. (the “Equity Pool”), which holds a 99% limited partner interest. Cove LP has requested RIHousing’s approval of the transfer of the limited partnership interest currently held by the Equity Pool, to Cove Inc. or its nominee (the “Transferee”). The Transferee will assume all existing obligations encumbering the Development. The transfer would be consistent with the planned dissolution and liquidation of the Equity Pool as established by September 18, 2014 resolution of the general partner of the Equity Pool, the RIH Equity Corporation. The RIH Equity Corporation then delegated broad decision-making authority to RIHousing officers pursuant to a resolution dated September 17, 2020.

Immediately after the transfer of the limited partnership interest, Cove LP will sell the Development to Valley Affordable Housing Corporation (“VAH”), a state-wide non-profit developer based in Cumberland. As part of the acquisition, VAH intends to prepay the first mortgage, which has a remaining principal balance of approximately \$140,000, repay the accrued interest on the existing Targeted Loan of approximately \$323,000, and assume the principal balance of the Targeted Loan in

the approximate amount of \$250,000. Repayment of the first mortgage is subject to RIHousing approval.

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. VAH will operate the Development under the existing regulatory agreements and is considering several alternatives for refinance and long-term positioning as affordable housing.

VAH's affiliate Pinnacle Property Management LLC ("Pinnacle") will take over as property manager. Pinnacle manages multiple properties in the RIHousing portfolio, including the recently completed Reynolds Farm Senior Housing, which is approximately one mile from this Development. The transfer of the limited partnership interest in the Development will allow Cove, Inc. to (i) buy out the limited partner after the limited partner's tax credits have been fully utilized but before the initial compliance period expires, and (ii) sell the Development to VAH, a non-profit housing developer committed to the long-term preservation of affordable housing.

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, 825-RICR-30-00-3 (as amended from time to time, 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: Cove Properties of Wickford, L.P. (“Cove LP”), the owner of Cove Properties (the “Development”), seeks approval of the transfer of the limited partnership interest in Cove LP from Rhode Island Housing Equity Pool, L.P. (the “Equity Pool”) to Cove Properties of Wickford, Inc. (“Cove Inc.”) or its nominee; and
- WHEREAS: Cove LP seeks approval of the prepayment of the existing first mortgage; and
- WHEREAS: staff has reviewed this request under the TPA Regulations and determined that the proposed transaction complies with the regulatory requirements; and
- WHEREAS: staff has determined this approval would be consistent with the Delegation of Corporate Authority granted by the RIH Equity Corporation, the general partner for the Equity Pool, on September 17, 2020.

NOW, THEREFORE, IT IS HEREBY:

- RESOLVED: that the transfer of the limited partnership interest in the Development from the Equity Pool to Cove Inc. or its nominee be, and hereby is, approved, subject to the following terms and conditions; and
- RESOLVED: that the prepayment of the existing first mortgage currently encumbering the Development 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 (see § 3.4 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 § 3.4 of 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, Deputy Executive Director, and Chief Financial Officer, each acting singly, be, and hereby are, 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.