

**Request for Action
by
Board of Commissioners**

**Approval of Prepayment
for Mt. Vernon Temple North Apartments**

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the prepayment of the existing first mortgage and junior loans of Mt. Vernon Temple North Apartments (the “Development”), an affordable housing development for elderly and disabled households situated at two locations within Woonsocket.

The Development consists of 123 apartment units and associated parking. Temple North is a 24-unit development consisting of 12 one-bedroom and 12 two-bedroom units. Mt. Vernon is a 99-unit development located approximately two miles away and contains 49 studios and 50 one-bedroom units. All units receive project-based Section 8 rental assistance. The Development was most recently refinanced in 2005 utilizing the Low-Income Housing Tax Credit (“LIHTC”) Program and financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). The Development’s 40-year Regulatory Agreement expires in 2045.

Under RIHousing’s Rules Relative to Multifamily Loan Programs, Proposed Prepayments or Transfers, 825-RICR-30-00-3 (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 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 Mt. Vernon Temple Associates, Limited Partnership (the “Owner”). The initial LIHTC compliance period is complete, and the limited partner is forcing a sale of the property to maximize their return. The Development is currently being marketed for sale. The Owner is reviewing offers in anticipation of an arm's length transaction wherein the Development will be transferred to a third-party buyer, with a closing to take place approximately 60 days from the date of the purchase agreement. Considering the volatility in interest rates, it is necessary that the Owner receive RIHousing consent to prepay the existing RIHousing debt, to satisfy the time limitations of proposed buyer financing. Sales proceeds will be used to pay off both the first mortgage as well as the principal and accrued interest associated with a junior loan. The loan agreement for the first mortgage and junior loans waived the prepayment penalty after year 15. Accordingly, RIHousing has determined there is no prepayment penalty associated with the loan payoff base.

Because the identity of the purchaser of the Development is unknown, a condition of the prepayment is that the purchaser and new property management company be acceptable to RIHousing in all respects, as RIHousing still retains both a Regulatory Agreement and LIHTC Use Agreement on the Development. It should be noted that the U.S Department of Housing and Urban Development (“HUD”) will also need to approve any new owner and management company as part of the assignment of the Housing Assistance Payment (“HAP”) Contract.

No changes to the term or substance of the existing RIHousing Regulatory Agreements are contemplated.

2. Recommendation

The attached resolution approving the prepayment of the existing mortgage, 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: Mt. Vernon Temple Associates, Limited Partnership, the owner of Mt. Vernon Temple North Apartments (the “Development”), seeks approval of the prepayment of the existing first mortgage and junior loan; and

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

NOW, THEREFORE, IT IS HEREBY:

RESOLVED: that the prepayment of the existing first mortgage and junior loans currently encumbering Mt. Vernon Temple Associates, Limited Partnership 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;
2. Approval of the proposed purchaser and property manager by RIHousing in its sole discretion;
3. Repayment in full of the principal and accrued interest associated with both Targeted Loans currently encumbering the Development;
4. Receipt by RIHousing of the Processing Fee, as defined in § 3.4 of the TPA Regulations; and
5. 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 Director of Development each acting singly, are hereby empowered and directed to take any and all actions they deem necessary to carry out the foregoing resolutions.