

Request for Action
by
Board of Commissioners

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

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the transfer of 99% of the general partnership interest in Riverstone Apartments, L.P. (the “Owner”), the owner of Riverstone Apartments (the “Development”), an affordable housing development located in Pawtucket.

The Development consists of 103 units for seniors eligible at the age of 62 and disabled individuals located in 7 buildings. Originally developed as 2 U.S. Department of Housing and Urban Development (“HUD”) Section 202 developments in the 1990’s, the Development was refinanced in 2011 through 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 77 one-bedroom, 24 two-bedroom, and 2 three-bedroom units. All but one of the apartments in the Development currently receive project-based Section 8 rental assistance pursuant to 2 Housing Assistance Payment (“HAP”) contracts. The Development’s initial 15-year compliance period ends in 2028 and the LIHTC restrictions remain until 2043. The Regulatory Agreement expires in 2053.

Standard Property Company Inc. (“Standard”) has requested RIHousing’s approval to transfer 99% of the general partnership interest in the Owner to CS Fund I Riverstone SPE Owner LLC (the “Transferee”), a Delaware limited liability company wholly owned by Standard CDAH LLC, an affiliate of Standard. 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

Riverstone GP LLC (“RGP”), a Rhode Island limited liability company, is the current general partner, and holds a 0.01% ownership interest in the Owner. The manager of RGP is owned by The Arc of Blackstone Valley (BVArc). The current investor limited partners in the Owner are affiliates of Michel Associates, LTD. (“Michel”). Countryside Corporate Tax Credits XXI Limited Partnership holds a 99.99% limited partnership interest and Michel Properties, LLC is a special limiter partner with no ownership interest.

Standard will provide the equity for the Transferee to purchase 99% of the general partnership interest from RGP. At closing, the general partnership interest purchased by the Transferee will

convert to a 0.0099% limited partnership interest in the Owner. The Transferee will retain certain powers, rights and liabilities afforded a limited partner under applicable law. RGP will remain as the general partner and retain a 0.0001% ownership interest. New financing is not currently anticipated. All existing obligations encumbering the Development will remain unchanged.

Approximately \$3.7 million in repairs were undertaken when the Development was financed in 2011. Buildings received exterior and interior upgrades including new roofs and windows, drainage and parking lot improvements, as well as kitchen and bathroom improvements in the residential units. System upgrades included replacement and/or upgrades of the boilers as well as life safety system upgrades to meet fire code regulations.

Based on the recently-completed capital needs assessment (“CNA”), Standard is budgeting \$31,250 for immediate repairs that will be completed within the first 12 months of the transfer. These costs will be funded at closing from the existing cash reserves. The most critical repairs include boiler repairs (\$14,500), elevator maintenance (\$5,000) and fire/life safety compliance (\$500). Other repairs include asphalt pavement (\$2,500), ADA compliance (\$3,500) and additional elevator maintenance (\$5,250). The Development appears to be in good condition. The CNA shows that the replacement reserve is adequately funded beyond the initial compliance period of the Development.

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 84 out of 100 under RIHousing’s risk rating protocol. The debt service coverage was 1.34 in December 2019. The operating and replacement reserves are well funded.

As part of the transfer, the existing property manager will be replaced by The Franklin Johnston Group (“TFJG”), a privately held real estate development and management company based in Virginia Beach, Virginia focused exclusively on the multifamily sector. Currently, TFJG manages more than 18,700 units at 113 communities primarily in the Mid-Atlantic and southeast ranging from Rhode Island to Florida. TFJG currently manages 3 other properties for Standard in Rhode Island, Charles Place, Colony House and Curtis Arms, which collectively have 407 units. There is no identity relationship between TFJG and Standard.

In addition to RIHousing’s approval, HUD must approve both the transfer of 99% of the general partnership interest in the Owner and the change in management agent under the HUD Risk Sharing Program.

3. Recommendation

The attached resolution approving the transfer of 99% of the general 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: Standard Property Company Inc. (“Standard”) seeks approval of the transfer of 99% of the general partnership interest in Riverside Apartments, L.P. (the “Owner”), the owner of Riverside Apartments (the “Development”), from Riverstone GP LLC, (“RGP”) to CS Fund I Riverstone SPE Owner LLC, an affiliate of Standard; 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 99% of the general partnership interest in the Owner of the Development from RGP to CS Fund I Riverstone SPE Owner 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.
2. Approval of the transfer of both the 99% general partnership interest in the Owner and the change in the management agent by the U.S. Department of Housing and Urban Development (“HUD”) under the HUD Risk Sharing Program.
3. Approval of the transfer by the limited partners in the Development, affiliates of Michal Associates, LTD.
4. 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.