

Request for Action
by
Board of Commissioners

**Approval of Transfer of Physical Assets (TPA)
for Stephens Hall Apartments**

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the transfer of the limited partnership interest in Stephens Hall Apartments (the “Development”), an affordable family housing development located on Elmwood Avenue in Providence.

The Development, built circa 1928, was converted into affordable housing in 2000 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 32 apartments in a four-story building with 11 one-bedroom, 13 two-bedroom, and 8 three-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 2031, 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 2015. 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 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 in 2000, WEHDC has endeavored to maintain the Development, making improvements as necessary to ensure sustainability. 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 Stephens Hall Development Associates, L.P. The current general partner of the development, SH Development Corp., a Rhode Island corporation, is an affiliate of WEHDC and holds a .01% interest in the partnership. The 2 current investor limited partner(s) in the Development are affiliates of Enterprise Community Partners. Together, The Housing Outreach Fund VII, LP and Enterprise Housing Partners III, LP (collectively the “Enterprise

Limited Partners”), hold a 99.9% limited partner interest. The Enterprise Limited Partners intend to withdraw and donate their partnership interests to the Transferee.

WEHDC’s goal for the transfer is to facilitate the exit of the Enterprise Limited Partners 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.

A capital needs assessment was conducted for the property in August 2018 and indicated significant need for external maintenance of the building envelope at the property. The fire alarm system is also at the very end of its useful life. However, should replacement of the fire alarm system be required before a refinancing occurs, the costs can be covered by the replacement reserve. At the time the property is refinanced, anticipated improvements would include structural and exterior work on the building, sitework, roof repair and partial 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 the proposed transaction complies with the regulatory requirements. The Development received a score of 89 out of 100 under RIHousing’s risk rating protocol. The debt service coverage was 2.16 in December 2019, 1.63 in 2018 and 2.51 in 2017. The operating and replacement reserves are adequately funded. Annual operating expenses are considered average and acceptable for a 15-year-old property. Annual cash flow is minimal due to the existing rents, which are skewed to the 50% rent levels. 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 while preserving the affordability of the property for the long term.

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 Stephens Hall Development Associates, L.P. (the “Development”) from The Housing Outreach Fund VII, LP and Enterprise Housing Partners III, LP (the “Enterprise Limited Partners”) 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 the Enterprise Limited Partners 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.