

Request for Action
by
Board of Commissioners

**Approval of Transfer of Physical Assets (TPA)
for Village Woonsocket Apartments**

1. Summary of Issues

This Request for Action (“RFA”) is for approval of the transfer of the general partnership interest in Village Woonsocket Apartments (aka Blackstone Terrace) (the “Development”), an affordable family housing development located in Woonsocket.

The Development consists of 122-unit family apartment at 2 adjacent sites. Originally built between 1975 and 1982, the Development was purchased and refinanced in 2011 through the Low-Income Housing Tax Credit (“LIHTC”) Program and with tax-exempt bond financing from Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”). In total, the Development consists of 40 one-bedroom, 49 two-bedroom, 41 three-bedroom and 5 four-bedroom units. All the apartments in the Development currently receive project-based Section 8 assistance pursuant to 3 Housing Assistance Payment (“HAP”) contracts. The Development’s initial 15-year compliance period ends in 2027 and the LIHTC restrictions remain until 2042. The Regulatory Agreement expires in 2052.

Fairstead Affordable, LLC (“Fairstead”) has requested RIHousing’s approval to sell the general partnership interest to Village Woonsocket FA Owner, LLC, (the “Transferee”), a Delaware limited liability company wholly owned by FA Acquisitions II LLC, an affiliate of Fairstead. 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

The owner of the Development is Village Woonsocket, L.P. The current general partner of the development, Village Woonsocket Management, LLC, (“VWM”), a Rhode Island limited liability company, holds a .01% interest in the partnership. The manager of VWM is Drew Fitch of Atlantic Development, LLC. The current investor limited partners in the Development are affiliates of Boston Capital Corporation. Boston Capital Corporate Tax Credit Fund XXXV (“BCCTCF”) holds a 99.99% interest and BCCC, Inc. is a special limiter partner with no ownership interest.

Fairstead will provide the equity for the Transferee to purchase the general partner interest from VWM. No new financing is currently anticipated. The Transferee will assume all existing obligations encumbering the Development.

Approximately \$5.3 million in repairs were undertaken when the Development was financed in 2011. Exterior repairs included new roofing, windows and doors, as well as extensive site work and drainage improvements. Interior work included mechanical and electric upgrades, fire protection improvements, kitchen and bathroom renovations and upgrades to meet ADA requirements. The entire heating and domestic hot water system at the primary site was modernized as well. Fairstead has commissioned a capital needs assessment (“CNA”). The Development appears to be in good condition. The initial draft of the CNA identified only \$350 of critical repairs and shows that the replacement reserve is adequately funded beyond the initial compliance period of the Development

When refinanced in 2011, the Development received a loan from the Affordable Housing Trust Fund (“AHT”) to be paid out of surplus cash. The current loan balance is approximately \$454,970. It is anticipated that the balance will be repaid at the end of the current fiscal year (12/31/2020) upon receipt and approval of the audited financial statement.

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 88 out of 100 under RIHousing’s risk rating protocol. The debt service coverage was 1.25 in December 2019. The operating and replacement reserves are well funded.

As part of the transfer, the existing property manager will be replaced by SHP Management Corp. (“SHP”). SHP has been an active manager of affordable and subsidized properties since 1992. Currently, they manage 69 projects with more than 11,000 units for both related and unrelated entities. SHP currently manages Fairstead’s properties in Ohio, Connecticut, Florida and RI. There is no identity relationship between SHP and Fairstead. SHP has managed numerous properties in RIHousing’s portfolio over the past 30 years, and currently manages several developments in RI including 2 properties owned by Fairstead.

In addition to RIHousing’s approval, the U.S. Department of Housing and Urban Development (“HUD”) must approve both the transfer of the general partner interest and the change in management agent. Two separate HUD approvals are required; HUD must approve under the Section 8 program and because the permanent loan is insured with HUD, under the Risk Sharing program as well.

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: Fairstead Affordable, LLC (“Fairstead”) seeks approval of the transfer of the general partnership interest in Village Woonsocket, L.P., the owner of Village Woonsocket Apartments (the “Development”), from Village Woonsocket Management, LLC (“VWM”) to Village Woonsocket FA Owner, LLC, an affiliate of Fairstead; 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 general partnership interest in the Development from VWM to Village Woonsocket FA 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 general partner interest and the management agent by the U.S. Department of Housing and Urban Development (“HUD”) under the HUD Risk Sharing Program and the Section 8 rental assistance program.
3. Approval of the transfer by the limited partners in the Development, affiliates of Boston Capital Corporation.
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.