

Council Agenda Report

Date: March 27, 2017

Prepared and Submitted by: Sandra Tripp-Jones, City Manager 

SUBJECT: Acquisition of Tax Credit Portfolio by Enterprise Homes, Inc./City of Cambridge/Cambridge Commons

Recommendation: That Council:

- A. Approve the request of Enterprise Homes, Inc. that the City approve transfer of 85% general partnership interest and 10% limited partnership interest in the general partner of the Owner of Cambridge Commons LLLP from Shelter Partners, II LLC to an affiliate of Enterprise Homes, Inc. subject to the final approval by the Maryland Department of Housing and Community Development's Division of Credit Assurance's approval of the final transfer documents and the organization documents of Enterprise Homes, Inc.'s affiliates and subject to:
 - 1) Continuation in force of affordability restrictions and loan use and repayment provisions in current agreements between the City of Cambridge and Shelter Partners II, LLC, and
 - 2) Continuation of the current PILOT agreement without change.
- B. Authorize the Mayor to execute the transfer agreement letter, subject to approval as to form by the City Attorney.

Discussion:

Representatives of Enterprise Homes, Inc. have met with staff to explain the proposed transfer of ownership of 95% of the .01% interest in Cambridge Commons LLLP from Shelter Partners II, LLC to Enterprise Homes, Inc. Attached is a letter of request to approve the transfer. Staff has reviewed the various documents between the City and Shelter Partners II, LLC and concluded that there will be no effect on aspects of our agreements, including the CDBG loan, management standards, and affordability restrictions and that the percentage of interest being transferred is nominal. Enterprise Homes, Inc. is a reputable organization.

Staff requested that DHCD confirm their agreement with the transfer. A letter from DHCD is attached, noting their intent to approve will be contingent on their and the Attorney General's approval of final transfer documents and the organization documents of the Enterprise Home Inc.'s affiliate that will take the transferred interest in Cambridge Commons LLLP. Staff recommends approval subject to final State approval and City Attorney approval of the form of approval incorporating the recommended contingencies.



March 22, 2017

The Commissioners of Cambridge
307 Gay Street
P.O. Box 255
Cambridge, MD 21613
Attention: Sandra Tripp-Jones, City Manager

Re: *Acquisition of Tax Credit Portfolio by Enterprise Homes, Inc./City of Cambridge/Cambridge Commons*

Dear Ms. Tripp-Jones:

As you may be aware, Enterprise Homes, Inc. ("Enterprise") has agreed to purchase a portfolio of forty-three (43) tax credit projects including thirty-five (35) projects in Maryland (the "Portfolio") from Shelter Development, LLC ("Shelter") pursuant to that certain Agreement for Sale of Tax Credit Portfolio dated September 13, 2016 (the "Agreement of Sale"). One (1) of the projects included in the Portfolio is known as Cambridge Commons and is located in the City of Cambridge, Dorchester County, Maryland (the "Project"). The Project is owned by Cambridge Commons LLLP (the "Owner").

The organizational structure of the Owner prior to the closing of the contemplated transaction is attached hereto as Exhibit A. As part of the transaction, the 85% general partnership interest and the 10% limited partnership interest in the general partner of the Owner will be transferred from Shelter Partners II, LLC to an affiliate of Enterprise. An unrelated third party owns a 5% limited partnership interest in the general partner of the Owner. This ownership interest will not change as a result of the transaction. Further, the third party, institutional low income housing tax credit investor will continue to own the limited partnership interest in the Owner following closing. Cambridge Commons LLLP will continue to own the Project after closing. An outline of the organizational chart for this entity following closing is attached hereto as Exhibit B.

Several documents include restrictions that apply to the Property. We have compiled a list of consents that are required which is attached hereto as Exhibit C. This request includes a request for your acknowledgement and agreement that (a) the loan from The Commissioners of Cambridge to the Owner which partially finances the Project, and (b) the Payment in Lieu of Taxes Agreement between the Owner and The Commissioners of Cambridge, as amended (the "PILOT Agreement"), will remain in place and will not be impacted by the transfer of partnership interests in the general partner of the Owner as described herein. Due to the fact that the Owner will not change and there will be no change to the affordability restrictions applicable to the Project, we do not believe that the transfer of ownership interests described herein impacts the loan or the PILOT Agreement. After you have analyzed and processed this request, we ask

City of Cambridge
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that you evidence your consent to the transfer of ownership interests and the matters identified on Exhibit C by countersigning Exhibit C where noted with respect to the Project.

We understand the complexity of this acquisition and of this request for review and consent. We have compiled the underlying transaction documents and will be happy to provide any additional information that you may require in connection with your review.

Sincerely,



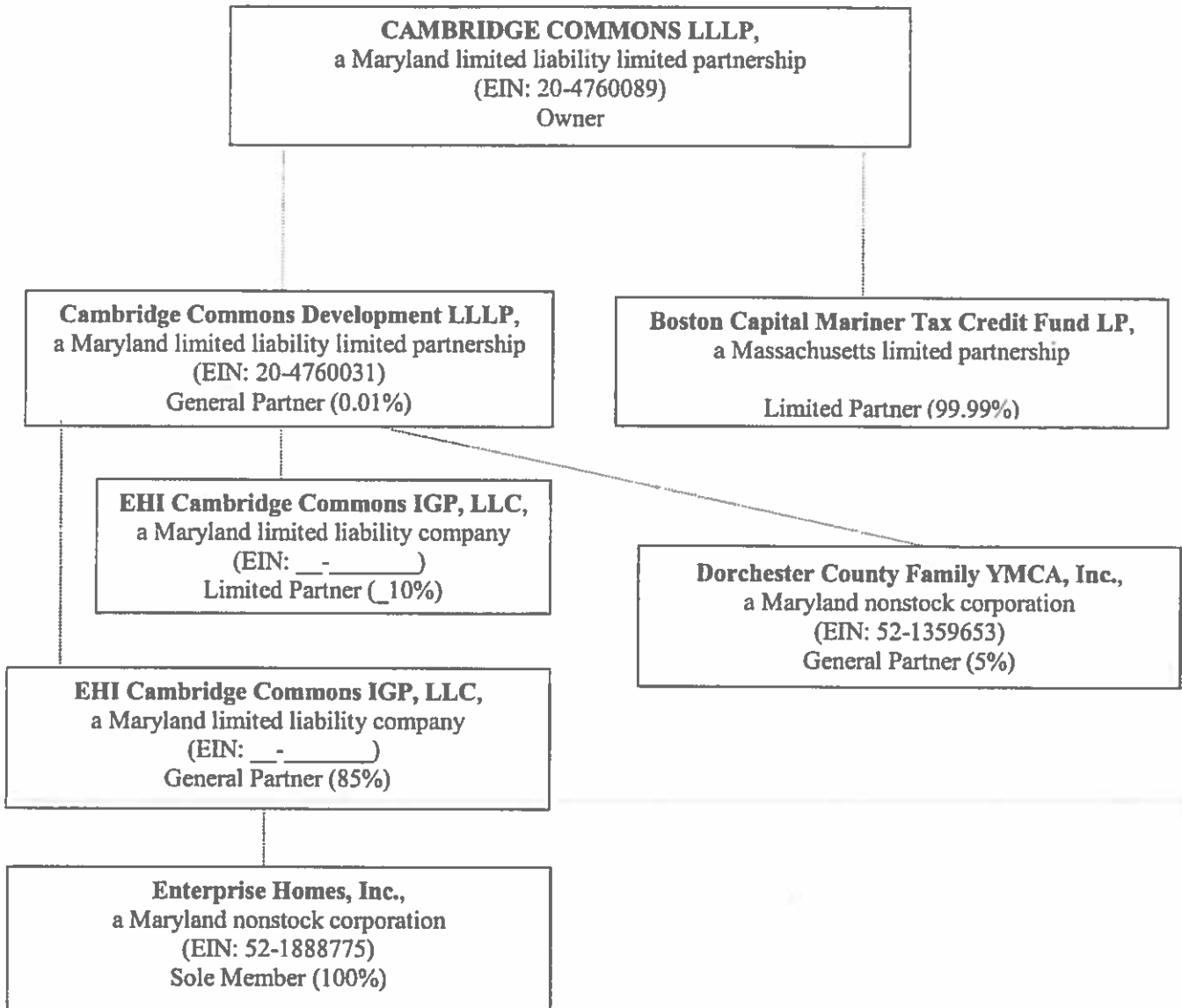
Christine Madigan
Executive Vice President

cc: Kathy Foster
City of Cambridge

Chickie Grayson, President & CEO
Enterprise Homes, Inc.

Shelter Development, LLC
218 N. Charles Street, Suite 220
Baltimore, MD 21201
Attn: Jeffrey K. Hettleman

EXHIBIT B
CAMBRIDGE COMMONS
PROPOSED OWNERSHIP STRUCTURE



**EXHIBIT C
REQUIRED CONSENTS**

PROJECT NAME AND PROPERTY OWNER	AGREEMENT	ADDITIONAL CONSENT REQUESTS/ COPIES SENT
Cambridge Commons Cambridge Commons LLLP	<p>(i) Payment in Lieu of Taxes Agreement dated September 26, 2008 (886/653) by and between The Commissioners of Cambridge and Cambridge Commons LLLP; (ii) First Amendment to Payment in Lieu of Taxes Agreement dated September 30, 2009 (950/185) between The Commissioners of Cambridge and Cambridge Commons LLLP</p> <p>Deed of Trust, Assignment of Rents and Security Agreement dated November 3, 2008 (889/718) from Cambridge Commons LLLP to certain trustees for the benefit off The Commissioners of Cambridge</p> <p><i>Note: This loan will remain in place after closing.</i></p> <p>Agreement and Declaration of Covenants and Restrictions dated November 3, 2008 (889/746) by and between Cambridge Commons LLLP and The Commissioners of Cambridge</p> <p><i>Note: This Agreement will remain in place after closing.</i></p>	N/A
		N/A

The undersigned hereby consents to the transfer of ownership interests in the Owner described in this letter and acknowledges and agrees that all necessary consents by the undersigned pursuant to the agreements identified above and any and all additional agreements entered into by or on behalf of the undersigned and with respect to the Project are hereby granted and confirmed. The undersigned hereby releases Shelter Development, LLC and its members and affiliates (including Shelter Partners II, LLC) from all obligations with respect to the loans, credit facilities and other agreements identified above and all other agreements related to the project as of the closing date of the transfer of ownership interests described herein.

ACKNOWLEDGED AND AGREED:

THE COMMISSIONERS OF CAMBRIDGE

By: _____
Name: _____
Title: _____

WHO WE ARE

Over more than three decades, Enterprise Homes, Inc. has earned an unparalleled reputation for creating thoughtfully planned communities that deliver exceptional value and quality of life. Enterprise has developed communities that include more than 6,500 homes throughout the Mid-Atlantic Region.

WHAT WE DO

Enterprise Homes brings solid community planning, financing, construction management, and marketing know-how to the development process, which results in high-quality affordable, mixed-income and market-rate housing. We are involved in virtually every aspect of creating livable communities, from the concept stage all the way to post-occupancy resident support.

- We assemble an outstanding team of architects and planners and work closely with them and stakeholders to design the community concept.
- We are innovators and experts at leveraging the full range of financing to bring the community to life and create housing affordable to buyers and residents.
- We oversee land development and construction and ensure our communities are built to our uncompromising standards.
- We coordinate the design and development of retail and commercial components in mixed-use communities.
- We are sophisticated marketing experts who maximize opportunities by creating broad interest that reaches beyond a community's typical market.

Enterprise Homes often collaborates with nonprofit and for-profit housing organizations, community groups, as well as city, county and state agencies. We find innovative solutions and tackle the most difficult development challenges. Enterprise Homes has successfully combined a variety of public and private financing to produce high-quality housing for people from all walks of life, creating vital and vibrant mixed-income communities. True to the philosophy of our founder, the legendary urban visionary Jim Rouse, every Enterprise home is built with pride, integrity and a view to the greater goals of the community at large. Our products include:

RENTAL HOMES

Enterprise uses Housing Tax Credits and other financial programs to keep rents at affordable levels. Our apartment communities include both new construction and rehabilitation of existing apartment properties. Enterprise apartment developments provide a system of supportive services tailored to meet the needs of residents, including families and seniors.

HOMEOWNERSHIP

By creating a number of innovative designs, construction management and financing techniques, Enterprise Homes keeps its development costs at a competitive rate and passes those savings on to homebuyers. To put monthly mortgage payments within reach of the workforce and achieve their dreams of owning a home, Enterprise Homes obtains buyer incentives and low-cost first mortgages, thereby reducing the purchase price and monthly payments. Enterprise Homes offers all of its homebuyers comprehensive pre- and post-sale counseling to provide them with information and skills to responsibly maintain their home and manage household finances.

CONSULTING

Enterprise Homes offers consulting services and expertise in community revitalization and financing, including financial structuring and the preparation of financing applications. Enterprise Homes has extensive experience in layering financing by working with private institutions and federal, state and local officials to obtain and structure the funding necessary to develop affordable housing.

APARTMENT INVESTMENTS

The Mid-Atlantic region faces a growing shortage of well-managed rental housing serving moderate income residents. Class B and C apartments comprise a large part of the region's rental housing stock. Enterprise Homes acquires, renovates and closely manages apartment properties in this segment to help serve this significant part of the market.

For more information, please contact us at:

410.332.7400

www.enterprisehomes.com



LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor

KENNETH C. HOLT
Secretary

March 22, 2017

The Commissioners of Cambridge
307 Gay Street
P.O. Box 255
Cambridge, MD 21613
Attention: Sandra Tripp-Jones, City Manager

Re: Acquisition of Tax Credit Portfolio by Enterprise Homes, Inc./City of Cambridge/Cambridge Commons

Dear Ms. Tripp-Jones:

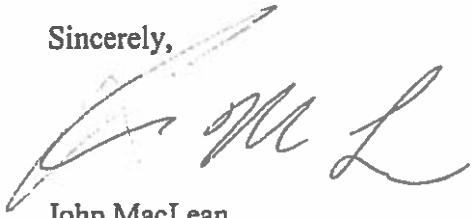
As you know, Enterprise Homes, Inc. ("Enterprise") intends to purchase a portfolio of forty-three (43) tax credit projects including thirty-five (35) projects in Maryland (the "Portfolio") from Shelter Development, LLC ("Shelter"). One (1) of the projects included in the Portfolio is known as Cambridge Commons and is located in the City of Cambridge, Dorchester County, Maryland (the "Project"). The Project is owned by Cambridge Commons LLLP (the "Owner").

As part of the transaction, the 85% general partnership interest and the 10% limited partnership interest (collectively, the "Interests") in the general partner of the Owner will be transferred from Shelter Partners II, LLC to an affiliate of Enterprise (the "Affiliate"). An unrelated third party owns a 5% limited partnership interest in the general partner of the Owner. This ownership interest will not change as a result of the transaction. Further, the third party, institutional low income housing tax credit investor will continue to own the limited partnership interest in the Owner following closing. Cambridge Commons LLLP will continue to own the Project after closing.

The Maryland Department of Housing and Community Development, Division of Credit Assurance ("DCA"), supports this transaction and intends to approve the transfer of the Interests subject to DCA's and the Office of the Attorney General's approval of final transfer documents, and the organizational documents of the Affiliate, which are currently being drafted and reviewed.



Sincerely,

A handwritten signature in black ink, appearing to read 'JML', written in a cursive style.

John MacLean
Director, Multifamily Asset Management
Division of Credit Assurance