

Transaction & Advisory Services

Client: Princeton Properties

Property:

River Place Towers is a 448-unit affordable multifamily property in Lowell, Massachusetts previously financed under the Commonwealth's Chapter 13A interest subsidy and Low-Income Housing Tax Credit (LIHTC) programs.

Challenge:

In 2011, River Place Towers came to the end of its initial LIHTC compliance period and the limited partner (LP) of the ownership entity wished to exit from the investment. Princeton Properties, the general partner of the ownership entity, wanted to continue owning the property, one of its flagship assets, but the LP had the ability to force the sale of the property as a vehicle to exit the investment. In addition, Princeton wished to refinance the existing debt, which was subsidized under Chapter 13A, to unlock built-up equity and rehabilitate the property.

Solution:

Princeton Properties hired Recap Real Estate Advisors to value the LP interest and participate in negotiations of the LP buyout to avoid a sale of the property. When the parties could not agree to terms, Recap suggested that the partners agree to recapitalize the property with 4% LIHTC and new debt and helped draft the memorandum of understanding between the parties. Recap then assisted in the implementation of the transaction, which included refinancing the existing debt and sourcing and closing \$8.7 million in LIHTC equity.

This transaction – which had a total development cost of \$31 million and closed in November 2013 – unlocked significant built-up equity, allowed the LP to exit the investment, rehabilitated the property, and ensured continued ownership by Princeton Properties, all while navigating changing affordability restrictions and the Commonwealth's Chapter 40T Affordable Housing Preservation Law.

