



### CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 5/30/2018

District K

Item Creation Date: 5/10/2018

HCD18-46 Regency/Sandpiper Transfer of Ownership

Agenda Item#:

*WJH*

#### **Background:**

Sandpiper Apartments Owner, LLC and Vista Arbor Apartments Owner, LLC, each affiliates of 3 Points Realty Partners LLC and Equity Resource Investments LLC., propose to purchase, respectively, an apartment complex located at 10400 Sandpiper, Houston, Texas ("Sandpiper") and an apartment complex located at 10301 Sandpiper ("Vista"), being managed as a 606-unit property in Fondren Southwest which previously received \$10,150,000 of Disaster Recovery Rita funds through a performance based loan from the City of Houston. Sandpiper Owner LLC and Vista Arbor Square Owner, LLC, the current owners of the properties, affiliates of Birch Owner LLC, request approval of the property transfer and release from City's loan, which they previously assumed, and liabilities that accrue from events following the sale. In return for the City's consent to the sale and release of the current owner's liability for the City Loan, the new owners of Regency Walk will assume the City Loan and will maintain the rent restrictions for the remainder of the 15-year period set in the Land Use Restriction Agreement ("LURA") related to the City Loan. **No further City funding will be required to satisfy this request.**

The original Disaster Recovery Rita loan, authorized on September 10, 2008, was to rehabilitate two properties, Arbor Square Apartments and Sandpiper Apartments, to be managed as one apartment complex, Regency Walk. The properties are located at 10301 Sandpiper and 10400 Sandpiper. The City of Houston's loan proceeds were used only for hard costs for this extensive renovation, which was completed in March of 2013. Of 606 total units, 309 (now 315 units) are rent-restricted for a period of 15 years. The property has been operating successfully with a 95% occupancy rate.

In September 2013, Regency Walk LLC sold this property to two affiliates of Variant Holdings LLC, as part of a portfolio that included 12 properties in the Houston area. In exchange for its consent to this transfer of ownership, the City received a 20% profits participation in any future capital events. In 2014, Variant Holdings filed for bankruptcy and in 2016, its affiliates, including those that owned Regency Walk, filed for bankruptcy. As a result, the bulk of Variant Holdings' real estate assets, including Regency Walk, were sold.

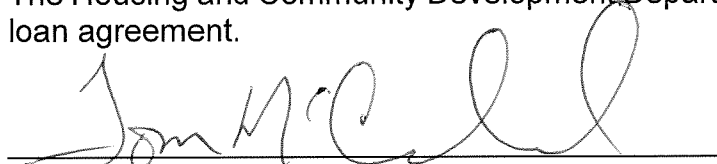
In 2016, Sandpiper Owner LLC and Vista Arbor Square Owner, LLC, affiliates of Birch Owner LLC, which is an affiliate of LYND and KKR, purchased Sandpiper and Arbor in a bankruptcy proceeding. In this deal Birch Owner LLC paid the city \$1.9 million to fulfill the previous owners profit participation requirement; agreed to invest at least \$7 million in capital improvements across 6 properties in the Houston area; added six rent restricted units to Land Use Restriction Agreement for Regency Walk and assumed the obligations of the Regency Walk Loan and

committed to maintain rent restrictions for the remainder of the 15-year period set in the 2008 LURA.

Equity Resource Investments LLC is a real estate private equity firm with more than 30 years of experience partnering with managers of affordable assets in government-regulated environments.

3 Points Realty Partners is a privately held real estate investment company focused on acquisition and management of multifamily properties. Its current portfolio consists of nineteen properties (4,784 units) in nine states. Its' three Houston properties has a total of 1,137 units.

The Housing and Community Development Department recommends approval for amending the loan agreement.

A handwritten signature in black ink, appearing to read "Tom McCasland", is written over a horizontal line.

Tom McCasland, Director

**Prior Council Action:**

6/29/16 (O) 2016-529

7/22/15 (O) 2015-694

9/10/08 (O) 2008-797

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