

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
BOARD OF DIRECTORS**

**February 11, 2020  
815 Florida Avenue, NW  
Washington, DC 20001  
5:30 p.m.**

**Minutes**

**I. Call to order and verification of quorum.**

District of Columbia Housing Finance Agency (“DCHFA” or the “Agency”) Board Chairperson, Buwa Binitie, called the meeting to order at 5:36 p.m. and asked the Interim Secretary to the Board of Directors (the “Board”), Mr. Christopher Donald, to verify a quorum. With four members present, the Board had a quorum and the meeting continued.

The following members were present: Buwa Binitie, Bryan “Scottie” Irving, Stanley Jackson (telephonic), and Heather Howard.

**II. Approval of the Minutes from the December 17, 2019 and January 24, 2020 Board Meetings.**

A motion was made to approve the minutes from the December 17, 2019 and January 24, 2020 board meetings by Ms. Howard. The motion was properly seconded by Mr. Irving.

Mr. Donald took a voice vote. The motion passed by a chorus of ayes.

Mr. Binitie disclosed to the Board that his organization, Dantes Partners, is directly related to and is benefiting from the Kennedy Street transaction that is before the Board this evening. Therefore, out of an abundance of caution, Mr. Binitie will recuse himself, will exit the room, and will not participate in the discussion or voting related to Kennedy Street. Mr. Binitie also disclosed to the Board that while his organization, Dantes Partners, does not have a direct conflict with the Sursum Corda transaction, his organization is in a partnership with L+M Development for a transaction in New York. L+M Development is serving as a developer for the Sursum Corda transaction. Therefore, out of an abundance of caution, Mr. Binitie will recuse

himself from the transaction, will exit the room, and will not participate in the discussion or voting related to Sursum Corda.

**III. Vote to close meeting to discuss Park Southern Apartments.**

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors will call a vote to close the meeting in order to discuss, establish, or instruct the public body's staff or negotiating agents concerning the position to be taken in negotiating the **Park Southern Apartments**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

Mr. Donald called for a motion to close the meeting. Mr. Jackson made a motion to close the meeting. The motion was properly seconded by Ms. Howard. The motion passed by a chorus of ayes.

The meeting was closed at 5:41 p.m. and re-opened at 5:52 p.m.

**IV. Consideration of DCHFA Eligibility Resolution No. 2020-04 for Park Southern Apartments.**

Ms. Kristin Chalmers, Senior Multifamily Loan Underwriter, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments (“MLNI”) underwriting staff requests the approval of an inducement resolution from the Agency’s Board for the issuance of tax exempt bonds in an amount not to exceed \$47.7 million to finance the Park Southern Apartments. The Board previously approved an inducement resolution authorizing the issuance of tax exempt bonds in an amount not to exceed \$33.8 million for the subject transaction in March 2017. The project received Housing Preservation Trust Fund (“HPTF”) financing through the DC Department of Housing and Community Development’s (“DHCD”) Notice of Funding Availability (“NOFA”) round in summer 2018. Project costs have since increased and now exceed the maximum amount authorized under the 2017 inducement resolution.

The Park Southern Residents Council, Inc., (“PSRC”), a 501(c)(3) nonprofit tenant association, and Vesta corporation (“Vesta”), entered into a development agreement for the purpose of conducting a major rehabilitation of the property. PSRC and Vesta formed 800 Southern Avenue LLC, the sponsor/borrower entity, and acquired the property in January 2017. Upon acquisition, the sponsor assumed an existing DHCD loan (originated in 2006), and received a loan of \$8.1 million from PNC Bank. The PNC Bank loan has allowed for the interim funding of critical repairs to maintain the building until permanent financing is secured.

The proposed project will consist of the substantial rehabilitation of a 358-unit affordable property that is located in Ward 8. The unit mix for the project will consist of four efficiency units, 200 one bedroom units, 151 two bedroom units, and 3 three bedroom units. Twenty-two units will be unrestricted and the remaining 336 units will be restricted to 80 percent of Area Median Income (“AMI”) or less. Ten units will be restricted to 30 percent of AMI or less and will receive Local Rent Supplement Program (“LRSP”) funding. The total development costs for the project are \$83.3 million, or approximately \$232,500 per unit. On the operating side, the effective gross income is projected to be approximately \$4 million in year one, based on an assumption of 7 percent% vacancy. Annual operating expenses are projected to be approximately \$2.4 million, resulting in a Net Operating Income (“NOI”) of \$1.6 million in year one of stabilization, which supports a permanent mortgage of \$26.5 million, with an amortizing debt service of 1.20x in the first year.

Regarding the transaction structure, the project will be partially financed through the issuance of \$38 million in tax exempt bonds. During construction, advances will be insured by the Federal Housing Administration (“FHA”). The FHA lender, PNC Bank, will deliver Ginnie Mae securities in the form of interest-only construction loan certificates, and the borrower will make interest-only payments on the short-term bonds, based on the Ginnie Mae rate plus MIP of 0.25 percent.

The short term bonds will be publically offered by the Sturges Company. Upon conversion, the permanent mortgage will be a taxable loan ensured by FHA mortgage insurance under the US Department of Housing and Development’s (“HUD”) 221(d)(4) program. The taxable loan will have a 40-year term and will be priced at a taxable Ginnie Mae rate, plus MIP of 0.25 percent. The tax credit investor will be PNC Bank, who will pay an investor rate of \$0.96 cents per one dollar of federal tax credit. The total low income housing tax credit (“LIHTC”) equity contribution is projected to be \$25.9 million.

The managing member for the sponsor will be Vesta PSRC LLC, which is comprised of the Park Southern Residents Council, Inc., and Vesta Equity Corporation. Vesta Equity Corporation is a wholly owned by Vesta, who will also serve as a guarantor for the project. Additional members of the development team include Marous Brothers Construction as the architect and general contractor, and Vesta Management, Inc. as the property manager.

Ms. Chalmers concluded the presentation, and introduced members of the development team present: Steven Rice and Arthur Greenblatt from Vesta.

Ms. Chalmers then opened the floor for comments and questions.

Mr. Greenblatt stated that a long time has passed since the original inducement resolution and reiterated that Vesta has purchased the property along with Vesta PSRC LLC. The developer expects to use the proceeds of the \$8.1 million borrowed from PNC Bank to perform critical repairs, including a full roof replacement, HVAC work, and many additional repairs that had been neglected by the previous owner. Construction has started on the project which includes increasing the electrical service from a 60-amp service up to a 100-amp service for the apartments. Starting the electrical work early will help maintain the 30-month construction contract time period.

The project is progressing through the DHCD process and DC Council submission is imminent. Full project construction is expected to start in April 2020.

There were no questions related to the transaction.

Mr. Binitie called for a vote to approve DCHFA Eligibility Resolution No. 2020-04 for the Park Southern Apartments. Mr. Binitie made a motion on the resolution and Mr. Irving properly seconded the motion. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

Mr. Binitie left the meeting and did not participate in any discussion or voting regarding the Kennedy Street transaction or the Sursum Corda transaction. Mr. Jackson presided over the meeting in Mr. Binitie's absence.

#### **V. Vote to close meeting to discuss Kennedy Street and Sursum Corda.**

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors will call a vote to close the meeting in order to discuss, establish, or instruct the public body's staff or negotiating agents concerning the position to be taken in negotiating **Kennedy Street and Sursum Corda**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

Mr. Donald called for a motion to close the meeting. Mr. Irving made a motion to close the meeting. The motion was properly seconded by Ms. Howard. The motion passed by a chorus of ayes.

The meeting was closed at 6:02 p.m. and re-opened at 6:19 p.m.

## **VI. Consideration of DCHFA Eligibility Resolution No. 2020-03 for Sursum Corda.**

Ms. Ksenia Camacho, Senior Multifamily Loan Underwriter, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments (“MLNI”) underwriting staff requests the approval of an inducement resolution from the Agency’s Board for the issuance of tax-exempt bonds in an amount not to exceed \$23 million to finance a portion of the cost to build 122 affordable units out of a total of 562 units at Sursum Corda. The vacant site was previously the location of Sursum Corda, a residential community consisting of 199 units constructed in 1968. The zoning approval through the Planned Unit Development (“PUD”) stipulates that the development shall provide for reserve units for returning Sursum Corda tenants. The affordable project will include 122 units, income restricted at 60 and 80 percent of AMI or less. The unit mix of the affordable units will consist of 39 one bedroom units, 48 two bedroom units, 26 three bedroom units, and 9 four bedroom units. The development will have 118 units set aside for households earning 60 percent of AMI or less.

The sponsors for the development will be L+M Development Partners and Toll Brothers Apartment Living (“Toll Brothers”). The remaining members of the development team consist of Harvey-Cleary Builders as the general contractor, Ellisdale Construction and Development as the construction manager, WDG Architecture as the architect, Toll Brothers as the property manager, C&C Apartment Management as the LITHC leasing and compliance manager, and Per Scholas, Inc. as the resident services provider.

Ms. Camacho concluded the presentation and introduced members from the development team present: Jonathan Cortell and Julia Telzak from L+M Development Partners and Craig Smith from Toll Brothers.

Ms. Camacho then opened the floor for questions.

Mr. Irving asked about the project’s total construction cost. Ms. Camacho replied that the construction costs are \$264,000 for construction and the total cost of development is \$365,000 per unit. Mr. Irving inquired about the Certified Business Enterprise (“CBE”) plan for the

project. Mr. Cortell stated that the developer intends to engage with the local workforce and that the existing Sursum Corda households present an opportunity to bring that specific population into the project as local workforce. Mr. Irving asked how the developer plans to meet its CBE goals. Mr. Cortell stated that while there are no CBE goals for the project, his intent is to prioritize locally based enterprises and use best efforts to achieve involvement throughout. Mr. Irving stated that Mr. Cortell's response posed a challenge for him. Mr. Jackson followed up and asked if the developer was working with the DC Department of Employment Services ("DOES") and the First Source Employment Program ("First Source"). Mr. Cortell responded that they are working with DOES and First Source to identify qualified individuals to be involved in the construction of the project.

There were no additional questions related to the transaction.

Mr. Donald called for a motion to approve DCHFA Eligibility Resolution No. 2020-05 for Sursum Corda. Ms. Howard made a motion to approve the resolution, and that resolution was properly seconded by Mr. Irving. Mr. Donald took a poll vote because the Agency is committing volume cap. Ms. Howard and Mr. Jackson voted "Yes". Mr. Irving voted "No". Mr. Binitie was recused from the transaction and did not vote. The resolution was approved.

## **VII. Consideration of DCHFA Final Bond Resolution No. 2020-03 for Kennedy Street.**

Ms. Kristin Chalmers, Senior Multifamily Loan Underwriter, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") underwriting staff requests the approval of a final bond resolution from the Agency's Board for the issuance of tax-exempt bonds in an amount not to exceed \$10 million to finance the Todd A. Lee Senior Kennedy Street Apartments project.

The sponsor, Kennedy Street Community Partners LLC, was awarded the project site in November 2017 after DHCD's Property Acquisition and Disposition Division ("PADD") issued a solicitation for offers in an effort to transform the vacant and under-utilized lots. The sponsor entered into a Property Disposition Agreement ("PDA") with the District of Columbia in October 2018. Under the PDA, the sponsor agrees to develop, construct, own, and operate a multifamily rental housing project approved by the District. The sponsor will gain full site control upon closing, which is scheduled to occur on February 14, 2020.

The project will consist of the redevelopment of two adjoining vacant parcels located off of Georgia Avenue NW into an affordable rental property for adults aged 55 and older. The project

will be located in Ward 4 in the Brightwood neighborhood. The project will consist of a building containing 38 units consisting of one efficiency unit and 37 one bedroom units. The first floor will include over 1,000 square feet of retail space. The total development costs for the project are \$15.8 million, or approximately \$416,000 per unit. On the operating side, the effective gross income is projected to be approximately \$466,000 in year one of stabilization based on an assumption of seven percent vacancy. The annual operating expenses are projected to be approximately \$284,000, resulting in an NOI of \$182,782 in year one of stabilization, which supports a permanent mortgage of \$2.2 million, with amortizing debt service of 1.44x in year one.

Regarding the transaction structure, the project will be partially financed through the issuance of \$8.2 million in tax-exempt bonds, which will be privately placed with JP Morgan Chase. During construction and lease-up, there will be a 30-month interest-only period, with the option for one 6-month extension.

Interest during the construction period will be one month LIBOR plus a spread of 1.7 percent. Upon conversion, the construction loan will be partially paid down using LIHTC equity. The remainder will convert to a permanent loan with an 18-year term and 40-year amortization. The interest for the permanent loan will be locked at construction loan closing and will be equal to the ten-year swap rate at that time, plus 2.34 percent. The tax credit investor will be Wells Fargo, who will be paying an investor rate of \$0.99 cents per one dollar of federal tax credit. Total LIHTC equity contribution is projected to be \$5.6 million.

The managing member for Kennedy Street Community Partners LLC is Kennedy Street MM LLC, which is comprised of DP Kennedy LLC and HSCDC Kennedy LLC. DP Kennedy LLC is controlled by DP-GD JV Member LLC, a joint venture between Dantes Partners and Gilbane Development Company (“Gilbane”) and GD Affordable Housing LLC. HSCDC Kennedy LLC is wholly owned by H Street Community Development Corporation, a 501(c)(3) entity. Gilbane will serve as the guarantor during the construction period. Post-stabilization, Gilbane will be removed from the organizational structure, and DP Kennedy LLC will be comprised solely of Dantes Partners. Other members of the development team include Soto Architecture as the architect, Faria Management as the property manager, and Broughton Construction as the general contractor.

Ms. Chalmers concluded the presentation and introduced members from the development team present: Corey Powell and Stephen Vassor from Dantes Partners and Robert “Bobby” Gilbane from Gilbane.

Ms. Chalmers then opened the floor for questions.

Mr. Irving stated his pleasure to see that Broughton Construction, a CBE firm, is a member of this transaction.

There were no additional questions related to the transaction.

Mr. Donald called for a motion to approve DCHFA Final Bond Resolution No. 2020-03 for Kennedy Street. Ms. Howard made a motion to approve the resolution, and that resolution was properly seconded by Mr. Irving. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

### **VIII. Other Business.**

No other business was discussed.

### **IX. Interim Executive Director’s Report.**

- The Agency will have a groundbreaking for the Todd A. Lee Townhomes on March 12, 2020 at 11:00 a.m.
- Mr. Donald introduced Mr. Rodney Dew, the Agency’s new Senior Analyst and Mr. Stephen Clinton, the Agency’s new Chief Financial Officer.

### **X. Adjournment.**

Mr. Donald called for a motion to adjourn the meeting. Mr. Jackson made a motion to adjourn the meeting and that motion was properly seconded by Ms. Howard.

Mr. Donald took a voice vote. The motion passed by a chorus of ayes.

The meeting was adjourned at 6:33 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors March 6, 2020.

Approved by the Board of Directors on March 10, 2020.