

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

April 14, 2020

5:30 p.m.

Public Access Call-In Number: 202.777.1695

Pin: 71602

Minutes

I. Call to order and verification of quorum.

District of Columbia Housing Finance Agency (“DCHFA” or the “Agency”) Board Chairperson, Mr. Buwa Binitie, called the meeting to order at 5:33 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 telephonically: Mr. Buwa Binitie, Mr. Stephen Green, Mr. Stanley Jackson and Ms. Heather Howard.

II. Approval of the Minutes from the March 24, 2020 Board Meeting.

A motion was made to approve the minutes from the March 24, 2020 board meeting by Mr. Green. The motion was properly seconded by Ms. Howard.

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

III. Vote to close meeting to discuss Ritch Homes Apartments, and the 2019 PNC Credit Line Extension.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors called 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 **Ritch Homes Apartments, and the 2019 PNC Credit Line Extension**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

Mr. Binitie 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 5:35 p.m. and re-opened at 5:54 p.m.

IV. Consideration of DCHFA Eligibility Resolution No. 2020-11 for Ritch Homes Apartments.

Ms. Kristin Chalmers, Senior Multifamily Loan Underwriter, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments (MLNI) recommends the

Board approve an eligibility resolution for the Ritch Homes Apartments (the “Project”) in an amount not to exceed \$17,500,000.

The Project will consist of the acquisition and substantial rehabilitation of an existing 42 unit affordable property located in Ward 2. Four additional affordable units will be added as part of the renovation for a total of 46 units. The property is currently subsidized with a Project –Based Section 8 HAP contract which has been extended through August 2020 in order to maintain the Project’s affordability during the ownership transfer process. In conjunction with the proposed new financing, the sponsor is working with the U.S. Department of Housing and Urban Development (HUD) to execute a new long-term HAP contract prior to the closing for another 20 year term. HUD has approved the market study and proposed rents and is on track to renew the HAP contract in August of this year.

The Sponsor will be Standard RH Venture LP, which will be comprised of Standard RH Manager LLC as the General Partner and a tax credit investor to be admitted at closing. The GP will consist of HOM RH Manager LLC, an affiliate of Housing on Merit and Standard Communities.

Through the District’s Tenant Opportunity to Purchase Act (TOPA), the newly formed 1420-1424 R St. Tenants Association, Inc. represented the residents of the Project and submitted a Letter of Interest (LOI) to purchase the Project from R Street Limited Partnership, the existing owner of the Property. Subsequent to the Tenant Association’s submission of the LOI, the Association engaged in negotiations and interviews with various developers regarding the assignment of the Association’s rights under TOPA. On November 14, 2019, the Association formally selected, and assigned its rights under TOPA to the Sponsor.

The Project is ideally located in the Northwest Quadrant of Washington, D.C in close proximity to both Dupont Circle and Logan Circle. The unit mix will consist of four efficiency units, 18 one bedroom units, 16 two bedroom units, and eight three bedroom units designated at 30% of Area Median Income (AMI), 60% of AMI, and 80% of AMI levels.

With regard to the transaction structure, the Project will be partially financed through the issuance of \$14,000,000 in DCHFA short term tax exempt bonds which will be credit enhanced by sale proceeds of Ginnie Mae mortgage backed securities. During construction, advances will be insured by the Federal Housing Administration (FHA). The short term bonds will be publicly offered or privately placed with Walker & Dunlop. The borrower will make interest only payments on the short term bonds during the construction period. Upon conversion, the permanent mortgage will be a taxable loan insured by FHA mortgage insurance under HUD’s 221 (d)(4) program and will have a 40 year term.

The Sponsor has not selected a low income housing tax credit (LIHTC) investor but has received an initial LOI from Alliant Capital. Per the LOI an affiliate of Alliant Capital will have a 99.99% ownership interest in the Project at the purchase price of \$0.90 per \$1.00 of federal tax

credits. In spite of the conservative equity pricing, the transaction does not require any gap financing. Based on this assumption, Alliant Capital will provide an estimated total equity investment of \$7,032,356 with 85% coming in during the construction period prior to completion.

Net Operating Income in year one of stabilization is approximately \$1,135,000 which supports \$20.4 million in permanent financing with a debt service coverage ratio of 1.15x.

Total development costs for the Project are high at \$613,519 per unit which is primarily driven by acquisition costs of approximately \$15.5 million or \$337,000 per unit.

Given growing concerns surrounding the COVID-19 pandemic, the developer is exploring alternative strategies to mitigate exposure for tenants during the renovation as follows:

- First, the general contractor may begin exterior work, new unit work, and common area work first for a projected four months to allow for social distancing while still maintaining the normal construction timeline.
- Next, the developer may implement two week delays at the end of a unit renovation. A tenant will move out during construction and wait two more weeks after sanitizing the unit before moving back into the renovated unit.

Both Standard Communities and Housing on Merit are being evaluated by Walker & Dunlop as Guarantors for the Project. Other members of the development team include Wiencek & Associates as the Architect, Franklin Johnston Group as the Property Manager, and Whiting Turner as the General Contractor.

Ms. Chalmers concluded the presentation and opened the floor for questions and introduced members of the development team present telephonically: Tommy Attridge and Thomas Marro from Standard Communities.

Ms. Chalmers opened the floor for comments and questions.

Mr. Binitie inquired about the tax credit pricing.

Mr. Attridge stated, “We think that the tax credit equity pricing is conservative, as Kristin alluded to. We tend to underwrite that way from the start, so that we know that our project will pencil in the event there are some fluctuations in the tax credit equity market. Normally, I think you're correct. Tax credit equity pricing for projects like this would be at least 95 cents. Unfortunately, in the environment that we're in, that's somewhat in flux. However, we feel confident that we can execute at 90 cents or above. We'll do everything in our power to get the most advantageous pricing.”

Mr. Binitie also asked if the development team has currently secured formal pricing, and when the development team expects to close. Ms. Chalmers noted that while the developers have an initial LOI, they have not yet committed to an investor. The developers noted they are expecting to close late summer in August or September.

There were no additional questions or comments.

Mr. Binitie called for a vote to approve DCHFA Eligibility Resolution No. 2020-11 for Ritch Homes Apartments. Mr. Jackson made a motion on the resolution and Mr. Green properly seconded the motion. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

V. Consideration of DCHFA Resolution No. 2020-05 (G) regarding the 2019 PNC Credit Line Extension.

Mr. Stephen Clinton, DCHFA Chief Financial Officer, presented the information to the Board. Mr. Clinton recommends the approval of a 90-day extension of the Agency's \$15 million PNC line of credit while the Agency negotiates a longer-term deal with PNC. The existing line of credit expired March 30, 2020. Mr. Clinton concluded the presentation and opened the floor to questions.

There were no additional questions or comments.

Mr. Binitie called for a vote to approve DCHFA Resolution No. 2020-05 (G) regarding the 2019 PNC Credit Line Extension. Mr. Jackson made a motion on the resolution and Mr. Green properly seconded the motion. Mr. Donald took a poll vote. The resolution was unanimously approved.

VII. Other Business.

There was no other business.

Mr. Green requested a detailed report on the COVID-19 pandemic's impact on DCHFA business. Mr. Binitie explained that a document related to Mr. Green's request is currently being drafted and will be shared once available.

VIII. Interim Executive Director's Report.

There was no Interim Executive Director's report.

IX. Adjournment.

Mr. Binitie called for a motion to adjourn the meeting. Mr. Green made a motion to adjourn the meeting and that motion was properly seconded by Mr. Jackson.

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

The meeting was adjourned at 6:32 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on May 22, 2020.

Approved by the Board of Directors on May 26, 2020.