DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
MEETING OF THE BOARD OF DIRECTORS
May 26, 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 5:36 p.m. and asked the Interim Secretary to the Board of Directors (the "Board"), Mr. Christopher Donald, to verify a quorum. With five members present, the Board had a quorum and the meeting continued.

The following members were present telephonically: Mr. Buwa Binitie, Mr. Stephen Green, Mr. Irving, Mr. Stanley Jackson, and Ms. Heather Howard.

II. Approval of the Minutes from the April 14, 2020 Board Meeting.

A motion was made to approve the minutes from the April 14, 2020 board meeting by Mr. Jackson. The motion was properly seconded by Mr. Green.

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

Mr. Binitie made a statement regarding The Residences at Kenilworth Park and identified that his company, Dantes Partners, while not directly involved in the transaction, works with one of the parties connected to the transaction (Carding Group) and therefore Mr. Binitie recused himself from any discussion or voting.

III. Vote to close meeting to discuss Park Southern Apartments, The Residences at Kenilworth Park, and a McKinney Act Loan for Mary's House for Older Adults.

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 **Park Southern Apartments, The Residences at Kenilworth Park, and a McKinney Act Loan for Mary's House for Older Adults.** 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 Mr. Green. The motion passed by a chorus of ayes.

The meeting was closed at 5:37 p.m. and re-opened at 6:37 p.m.

IV. Consideration of DCHFA Eligibility Resolution No. 2020-13 for The Residences at Kenilworth Park.

Mr. Christopher Miller, Interim Vice President, Multifamily Neighborhood Lending & Investments, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") recommends an approval of an inducement resolution from the District of Columbia Housing Finance Agency's Board of Directors for the issuance of taxable and/or tax-exempt bonds in an amount not to exceed $72,500,000 to finance the acquisition and new construction of The Residences at Kenilworth Park.

The capital stack for the Development will consist of construction to permanent financing in the amount of $52,500,000 in tax exempt bonds, $5,500,000 in taxable bonds, $20,579,626 in low income housing tax credit equity, or ("LIHTC"), $5,195,445 in Deferred Developer Fee, $70,000 in Bond Reinvestment Income, $450,000 in net operating income or ("NOI") during lease-up and $80,000 in interest earnings on CAPI Funds. The bonds will be construction to permanent financing through a private placement to Systima Capital Management. The total development cost is $84,375,071 ($537,421/unit), inclusive of acquisition, hard and soft costs, developer and financing fees, reserves, and escrows.

The Residences at Kenilworth Park is a proposed 157-unit age restricted (age 60+) 5-story mid-rise building with 27 parking spaces. The property will operate as an Assisted Living Facility. All residents will be seniors who qualify for the Elderly and Disabled Persons ("EPD") Waiver Program.

The EPD Waiver Program is administered by DC Department of Healthcare Finance ("DCHCF") and provides services to help qualified older adults and persons with disabilities live in their own homes or community, instead of a nursing home. Nursing homes generally offer a higher level of care than an assisted living facility and are more institutional, dormitory style housing. To qualify for the EPD Waiver Program, residents must be seniors who require assistance with two or more Activities of Daily Living ("ADLs"), with an individual annual income less than $27,000 for a single person and assets less than $4,000. Couples will have annual income less than $40,500 with assets less than $6,000.

The EPD Waiver Medicaid Daily Service Rate is $163.79 per resident day (2020 published rate), paid by the DCHCF. The Medicaid daily rate covers a resident's service and care. Rent/room and board are paid by a combination of Federal Supplemental Security Income ("SSI") and an Optional State Supplement Payment ("SSP"). The maximum combined SSI and SSP is $1,521/month, less a $100 personal allowance for the resident, with a net payment of $1,421/month for rent/room and board. Stabilization is assumed in 2024 and both the Medicaid Daily Rate and the Room and Board rates have been trended at 1.30% and 2% respectively to reach expected rates when the project reaches stabilization.

The underwriting risks are as follows:

Declining NOI:

- Due to high operating expenses and conservative underwriting of Medicaid payment increases, the NOI declines throughout the life of the loan.
- The mitigant to this risk is the sizing is underwritten to a minimum of 1.35x debt service coverage ratio year one (1) with an operating, debt service, lease up and Medicaid delay reserve.
- The General Partner and Guarantor will guarantee the deficits that occur prior to re-tenanting the property to stabilized occupancy for the balance of the compliance period.
- An exit test has been performed and shows the ability to refinance into a 223f at a 200-300bps stressed rate and will be updated prior to final bond.

Demand:

- Another risk is the lease-up and continuing resident turnover. A key feature of the EPD Waiver program is the resident can choose to live in their home and receive a home service aide.
- The mitigant to this risk is the demonstrated demand for affordable assisted living. Current residents in age restricted LIHTC properties would be prime candidates for an affordable assisted living project that would preserve their affordability and provide much needed services.

COVID-19

Given the recent COVID-19 pandemic, and the impact it has had on the District's senior community the following:

- A 36-month construction and lease up period puts the project delivery beyond most expert guidance on the time to adjust to COVID-19 and the expectations for therapeutics to treat the disease and a vaccine.
- The Project is making adjustment to designs including the lobby and front desk to adjust to the new reality.
- The Project is single occupancy, multiple floors, and no nursing or dementia care.
- Additional personal protective equipment ("PPE") costs are built into the budget and the operator plans to include PPE in each individual room.

The development team consists of the National Foundation for Affordable Housing Solutions, Gragg Cardona Partners, The Carding Group and Hall Bridge Partners. The remaining members of the development team consist of Whiting-Turner as the General Contractor, Environments for Health as the Architect, and Hall Bridge Partners as the Property Manager.

The subject transaction will be a tax-exempt, construction to permanent loan currently underwritten for $52,500,000 funded through a private placement to Systima Capital Management. The loan will be interest only until stabilization and have a 40-year amortization, and 20-year term (estimated 36 months construction/lease-up and 17-year permanent). The underwritten interest rate is 5.85%, which includes a base rate of 5.45% and the DCHFA long-term issuer Fee of 0.40%.

The taxable bond in the amount of $5,500,000 will be issued to pay cost bad costs. The taxable bonds will be issued on parity with the tax-exempt bonds meaning they will be secured by the same mortgage as the tax-exempt bonds. The taxable bonds will fully amortize prior to the tax-exempt bonds. The taxable bonds are expected to mature 2028. The underwritten interest rate is 5.95%, which includes a base rate of 5.55% and the DCHFA long-term issuer fee of 0.40%.
The total taxable and tax-exempt bonds issued will be $58,000,000.

The sponsor has selected Affordable Housing Partners ("AHP") as the LIHTC investor for the subject transaction. AHP or an affiliate will acquire a 99.99% ownership in the project and provide equity contributions equivalent of $0.86 per $1.00 per credit.

Mr. Miller indicated that several members of the development team were present telephonically.

There were no additional questions or comments.

Mr. Binitie called for a vote to approve DCHFA Eligibility Resolution No. 2020-13 for The Residences at Kenilworth Park. Mr. Jackson 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.

V. Consideration of DCHFA Resolution No. 2020-06 (G) regarding a McKinney Act Loan for Mary's House for Older Adults.

Mr. Christopher Miller, Interim Vice President, Multifamily Neighborhood Lending & Investments, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") underwriting staff requests a McKinney Act approval from the District of Columbia Housing Finance Agency's Board of Directors in an amount not to exceed $350,000 to finance the predevelopment of Mary's House for Older Adults ("Mary's House").

Mary's House is a proposed 15 Single Room Occupancy ("SRO") unit age restricted (ages 60+) 3-story building with programming catered to senior, low income members of the Lesbian Gay Bisexual Transgender Queer/Same Gender Loving ("LGBTQ/SGL") community. The property was the childhood home of Dr. Imani Woody, the head of Mary's House and an advocate in the LGBTQ/SGL community.

The predevelopment sources for the Development will consist of the following: $350,000 in McKinney Act funds from DCHFA and $100,000 from the District of Columbia Department of Housing and Community Development's ("DHCD") Oramenta Newsome fund. Predevelopment uses are for soft costs including drafting the construction documents and funding associated financing fees.

The permanent capital stack for the Development will consist of permanent financing in the amount of $300,000 in a taxable loan, $913,062 in Housing Production Trust Funds ("HPTF"), $4,076,067 in LIHTC equity and $50,000 in deferred developer fee. Capital Impact Partners has provided construction financing terms with an option to convert to permanent to the sponsor in a term sheet dated May 5, 2020.

The underwriting risks are as follows:

<u>Predevelopment Credit Risk:</u>

- The Agency will be lending $350,000 during the predevelopment phase of the project.
- The mitigant to this risk is a deed of trust on the property and the guaranty from Northern Real Estate Urban Ventures.
- The Project has been awarded 9% LIHTC and HPTF from DHCD.

<u>Target Market:</u>

- LGBTQ/SGL status is allowed for restricted housing under the Fair Housing Act.
- The mitigant to this risk is that the building will feature programming targeted to the LGBTQ/SGL community and focus on outreach in that community to lease up the building.

The development team consists of the Northern Real Estate Urban Ventures and Mary's House. The remaining members of the development team consist of Hooten as the General Contractor, K. Dixon Architecture as the Architect, and Noble Realty Advisors as the Property Manager.

The sponsor has selected Berkadia as the LIHTC investor for the subject transaction. AHP or an affiliate will acquire a 99.99% ownership in the project and provide equity contributions equivalent of $0.88 per $1.00 per credit.

Mr. Miller introduced Ms. Gina Merritt from Norther Real Estate Urban Adventures as telephonically present to take questions.

There were no additional questions or comments.

Mr. Binitie called for a vote to approve DCHFA Resolution No. 2020-06(G) regarding a McKinney Act Loan for Mary's House for Older Adults. Mr. Jackson made a motion on the resolution and Ms. Howard properly seconded the motion. Mr. Donald took a poll vote. The resolution was unanimously approved.

VI. Consideration of DCHFA Final Bond Resolution No. 2020-12 for Park Southern Apartments.

Ms. Kristin Chalmers, Senior Multifamily Loan Underwriter, Multifamily Neighborhood Lending & Investments, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") underwriting staff requests a final bond approval from the District of Columbia Housing Finance Agency's Board of Directors to approve a Final Bond Resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed $47.7 million for the Park Southern Apartments project.

The Park Southern Residents Council Inc. ("PSRC"), a 501(c)(3) non-profit tenant association and Vesta Corporation ("Vesta") entered into a development agreement for the purpose of a major rehabilitation and ongoing operation of the Property. PSRC and Vesta formed 800 Southern

Avenue LLC, the Sponsor or Borrower entity, and acquired the Property on January 18, 2017. At the time of the acquisition, the Sponsor assumed an existing DHCD loan originated in 2006 and received a loan of $8.1 million from PNC Bank which was increased to $16 million in the last quarter of 2019. Until permanent financing can be arranged for the full redevelopment, the PNC Bank loan has allowed for interim funding of critical repairs to maintain the building.

Park Southern Neighborhood Corporation ("PSNC") was the prior owner and throughout its ownership the Property suffered significant deterioration and numerous tenants filed lawsuits for inappropriate payments and missing rent and security deposits. Amid growing litigation, PSNC opted to negotiate an off-market sale of the Property. The execution of a purchase and sale agreement with a prospective buyer triggered the Tenant Opportunity to Purchase Act ("TOPA"). Pursuant to TOPA, the residents of the property organized to form PSRC and assumed the buyer's position in the PSA. PSRC then conducted a competitive national Request for Proposals ("RFP") to select a development partner with which to purchase the Property. As a result of the competitive process, PSRC selected Vesta as its development partner.

The proposed project will consist of the substantial rehab of a 358-unit affordable property 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% of Area Median Income ("AMI") or less. Ten units will be restricted to 30% of AMI and will receive Local Rent Supplement Program ("LRSP") funds.

Total development costs for the project are $87.5 million or approximately $244,320 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% vacancy. Annual operating expenses are projected to be approximately $2.4 million resulting in NOI of $1.6 million in year one of stabilization which supports a permanent mortgage of $27.8 million with amortizing debt service of 1.27 in year one. As noted in the rent comparable section of the memo, rent projections for the 50% AMI, 80% AMI, and market rate units, rent projections are based on what is being achieved at the property today plus an increase of CPI for seniors and CPI + 2% for all other tenants as permitted under the current development agreement.

The developer anticipates leasing the units to existing tenants. There are currently 95 vacant units at the Property today which will all be designated as 60% AMI units. Given that these units will be leased to new tenants that are not covered by the existing development agreement, we are assuming slightly higher rents than the 80% AMI units and market units. The proposed rents for the 60% AMI units are within range of what is being achieved at comparable properties in the subject's market area and the property is expected to lease successfully at these projected rent levels.

Regarding the transaction structure, the Project will be partially financed through the issuance of $41.7 million in tax exempt bonds. During construction, advances will be insured by Federal Housing Administration ("FHA"). The borrower will make interest only payments on the short-term bonds during construction. The short-term bonds will be publicly offered by The Sturges Company. Upon conversion, the permanent mortgage will be a taxable loan insured by FHA mortgage insurance under the HUD 221(d)(4) program. The taxable loan will have a 40-year term and the rate has been locked at 3.30% which includes MIP of 25 bps.

The tax credit investor will be PNC Bank who will be paying an investor rate of $0.93 per $1.00 of federal tax credit. Total LIHTC equity contribution is projected to be $24.9 million. Equity pricing has decreased by three cents since the Project was initially induced this past February due to a revision in credit delivery from year 2022 to 2023 during the underwriting process.

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 wholly owned by Vesta Corporation who will also serve as Guarantor for the Project. Other members of the development team include Marous Brothers Construction, Inc. as the Architect and General Contractor and Vesta Management as the Property Manager.

Ms. Chalmers introduced Steven Rice and Arthur Greenblatt from Vesta as present telephonically.

Mr. Binitie asked about the construction plan considering the presence of Covid-19. Mr. Greenblatt responded that the building is a 12-story high-rise apartment building and the plan is to move residents floor by floor for relocation. There are currently over 90 vacant units throughout the building will be turned into temporary residences. There will be designated elevators for residents and for construction workers. Mr. Greenblatt also plans to follow all CDC guidelines for safety and cleanliness including providing all necessary personal protective equipment.

Mr. Binitie asked if there are any senior residents or other residents with special disabilities that require extra caution. Mr. Greenblatt replied that there is a relocation specialist to assist all residents and there will be packing assistance for elderly residents.

Ms. Howard inquired whether there will be internet provided especially for children who will be undergoing distance learning. Mr. Greenblatt responded that they will be providing a utility stipend to allow residents to transfer services from their original unit into their new temporary unit.

There were no additional questions.

Mr. Green left the meeting before voting on this transaction.

Mr. Binitie called for a vote to approve DCHFA Resolution No. 2020-12 regarding a Final Bond for Park Southern Apartments. Mr. Jackson made a motion on the resolution and Mr. Irving properly seconded the motion. Mr. Donald took a poll vote. The resolution was unanimously approved.

VII. Other Business.

There was no other business.

VIII. Interim Executive Director's Report.

- Mr. Donald recognized certain team accomplishments.
  - Ms. Heather Hart, Director of Human Resources, was recognized by the Washington Business Journal and received a Human Resources Impact Award.
  - Ms. Susan Ortiz, the Agency's Public Relations Associate graduated from Georgetown with a master's degree in journalism.
  - Ms. Kayla Cruz, the Agency's Legal Intern, graduated from Howard Law School.
- Mr. Donald introduced Clarence Watson, who joined the Agency's Portfolio and Asset Management Team.
- An Agency Covid-19 Strike Force Team has been working on a back to work initiative for the Agency.

IX. Adjournment.

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

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

The meeting was adjourned at 7:09 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on June 26, 2020.

Approved by the Board of Directors on June 30, 2020.