DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
MEETING OF THE BOARD OF DIRECTORS
August 25, 2020
5:30 p.m.

Minutes

Public Access Via ZOOM
https://dchfa.zoom.us/j/89935581096?pwd=eDNpNDd6OHpOUHh0eXhrVFowZFkvdz09
Meeting ID: 899 3558 1096 Passcode: 792239 One tap mobile +13017158592,,89935581096# US (Germantown) +13126266799,,89935581096# US (Chicago)
Dial by your location +1 301 715 8592 US (Germantown) +1 312 626 6799 US (Chicago) +1 929 205 6099 US (New York) +1 253 215 8782 US (Tacoma) +1 346 248 7799 US (Houston) +1 669 900 6833 US (San Jose) Meeting ID: 899 3558 1096 Find your local number: https://dchfa.zoom.us/u/khCyIlIJl

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 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. Scottie Irving, Mr. Stan Jackson and Ms. Heather Howard.

Mr. Binitie indicated that with respect to The Residences at Kenilworth Park, his company Dantes Partners are partners with the Carding Group on another transaction. While Mr. Binitie is not the principal on The Residences at Kenilworth Park, and has zero financial gain in the transaction, out of an abundance of caution Mr. Binitie recused himself from any discussion or voting related to the transaction and exited the telephonic meeting.

II. Vote to close meeting to discuss The Residences at Kenilworth Park.

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 **The Residences at Kenilworth Park.** 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. Irving. The motion passed by a chorus of ayes.

The meeting was closed at 5:35 p.m. and re-opened at 6:07 p.m.

III. Consideration of DCHFA Final Bond Resolution No. 2020-19 for The Residences at Kenilworth Park.

Mr. Christopher Miller, Interim Vice President, Multifamily Lending & Neighborhood Investments, presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") recommends an approval of a final bond 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 $72.5 million to finance The Residences at Kenilworth Park (the "Project").

The capital stack for the development will consist of construction to permit financing in the amount of $52.5 million of tax exempt bonds, $5.5 million of taxable bonds, approximately $20 million in low income housing tax credit ("LIHTC") equity, $5.6 million in deferred developer fee, $70,000 in bond reinvestment income, $450,000 in net operating income during lease-up, and $80,000 in interest on CAPI funds. The bonds will be construction to permanent funded through a private placement with Systima Capital Management. The total development cost is $84.7 million, or $539,000 per unit, inclusive of acquisition, hard costs, soft costs, developer fees, financing fees, reserves, and escrows.

The Residences at Kenilworth Park is a proposed 157 unit age restricted five-story mid-rise building with 27 parking spaces. The property will operate as an affordable assisted living facility. All residents will be seniors who qualify for the Elderly and Disabled Persons Waiver Program (the "EPD Waiver Program"). The EPD Waiver Program is administered by the DC Department of Healthcare Finance and provides services to help qualified aging adults and persons with disabilities live in their own homes, communities, or as an alternative to a nursing home.

Nursing homes generally offer a higher level of care than an assisted living facility and typically consist of institutional, dormitory style housing. In order to qualify for the EPD Waiver Program, residents must be seniors who require assistance with two or more activities of daily living, with an individual annual income less than $27,000, or a combined couple income of $40,500.

The 2020 EPD Waiver Program daily service rate is $160.70 per resident day, paid by the D.C. Department of Healthcare Finance. The Medicaid daily rate covers resident service and care. Rent, room, and board are paid by a combination of federal supplemental security income, and optional state supplemental payment. The maximum combined amount for the two sources is $1,521 a month, less a $100 personal allowance for the resident.

The underwriting risk consists of an entitlement risk, any decrease in federal funding for Medicaid could result in reduced payments for services, which would negatively impact affordable assisted living facilities. The Medicaid payment rate has increased between 1.79 and 3.45 percent since the initial 158 percent increase in 2017. The average increase was 2.6 percent, and the rate is tied to a Medicaid market basket of D.C.'s living wage.

The transaction is sized to a minimum of 1.35 debt service coverage ratio with an operating debt service lease-up and Medicaid delayed reserves. Reserves are approximately $10 million.
The general partner and guarantor will guarantee the deficits that occur prior to re-tenanting the property to stabilize occupancy for the balance of the compliance period.

Another risk is the lease-up and continuing resident turnover via selection of other care options or expiration. The mitigate to this risk is the demonstrated demand for affordable assisted living and growth of DC's senior population. 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.

The final risk is associated with the COVID-19 pandemic. The following precautions or adjustments to the project have been made: the 36-month construction and lease-up period puts the project delivery beyond most expert guidance on the availability of therapeutics to treat the disease and a vaccine; the project has made adjustments to the design to adjust to the new reality; the project consists of single occupancy, multiple floor, and no nursing or dementia care, and the operator has included additional Personal Protective Equipment ("PPE") in the budget and 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 HallBridge Partners. The remaining members of the Development Team consist of Whiting-Turner as general contractor, Environments for Health as architect, and HallBridge Partners as property manager.

The financing will consist of tax exempt construction to permanent loan underwritten at $52.5 million funded through a private placement to Systima Capital Management. The loan will be interest only until stabilization and has a 40-year amortization and a 20-year term. The underwritten interest rate is 5.85 percent, inclusive of the 40 basis point DCHFA issuer fee. A $5.5 million taxable loan will be issued as well on par with the tax exempt bonds. The bond will have an underwritten interest rate of 5.95 percent, inclusive of the 40 basis point DCHFA issuer fee. Total taxable and tax exempt bonds will be $58 million.

The sponsor has selected Affordable Housing Partners ("AHP") as the low-income housing tax credit investor. AHP will acquire 99.99 percent ownership in the project and provide equity contributions equivalent to 86 cents per dollar credit.

Mr. Miller concluded the presentation and introduced members of the development team present on the board meeting conference call: Todd Travis, President, Foundation Housing; Vance Gragg, Partner, Gragg Cardona; Oussama Souadi, Partner, Gragg Cardona; John Varones, CEO, Systima Capital Management.

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Mr. Miller opened the floor for questions.

Mr. Jackson asked the development team to provide a snapshot of the role that Gragg Cardona will play as part of the management structure.

Mr. Souadi responded stating that Gragg Cardona's role started at site selection, through the entitlement process. Gragg Cardona has taken a lead role on the project, and will also take the lead on construction activities and on asset management in the future.

Mr. Green asked for more information about AHP.

Mr. Souadi stated that AHP is a wholly owned subsidiary of Berkshire-Hathaway. He noted that AHP is wholly owned by Berkshire-Hathaway that specializes in procuring tax credits for the company. He also stated that AHP is experienced in the affordable assisted living space in approximately eight to nine states, additionally Mr. Souadi stated that AHP has completed about 26 of these similar deals in Arizona, Indiana, Ohio, and Minnesota.

Mr. Green also asked about the pricing of the transaction, particularly the interest rate. Mr. Travis stated that the interest rate is reflective of the product type, the current market environment, and the loan structure.

Mr. Green also asked if the development team has done other affordable assisted living transactions and the construction period. Mr. Travis stated that Foundation Housing has not completed an affordable assisted living development, and noted that the construction schedule will consist of 22 months.

Mr. Irving asked about the development team's Certified Business Enterprise ("CBE") compliance. Mr. Souadi stated at a minimum the development team will meet the 35 percent CBE participation goal per their agreement with the DC Department of Small and Local Business Development.

Mr. Green asked if the development team is subject to First Source. Mr. Souadi stated that the Development Team has signed a First Source Agreement with the DC Department of Employment Services.

There were no additional questions.

Mr. Green called for a vote to approve DCHFA Final Bond Resolution No. 2020-19 for The Residences at Kenilworth Park. Mr. Jackson made a motion on the resolution and Ms. Howard properly seconded the motion. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

Mr. Gragg asked for permission to address the Board, and commended Agency staff for their professionalism and excellence, specifically the Interim Executive Director/CEO and deal leads Christopher Miller, Interim Vice President MLNI and Tracy Parker, Senior Assistant General Counsel.

IV. Other Business.

Mr. Donald recognized the Agency's Director of Human Resources, Heather Hart, who will be honored by the Washington Business Journal with the HR Impact Award.

V. Interim Executive Director's Report.

There was no Interim Executive Director's Report.

VI. Adjournment.

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

The motion passed by a chorus of ayes.

The meeting was adjourned at 6:42 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on September 18, 2020.

Approved by the Board of Directors on September 22, 2020.