

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SPECIAL MEETING OF THE BOARD OF DIRECTORS  
September 9, 2020  
5:30 p.m.  
Minutes**

**Public Access Via ZOOM**

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**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 5:32 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.

**II. Approval of the Minutes from the August 11, 2020 Board Meeting.**

A motion was made to approve the minutes from the August 11, 2020 board meeting by Mr. Irving. 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 South Capitol Additional Bonds, Spring Flats Family Apartments, and an overview of the Agency’s FY 2021 Budget.**

- A. 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 **South Capitol Additional Bonds and Spring Flats Family Apartments**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).
- B. Pursuant to the District of Columbia Administrative Procedure Act, I will now call a vote to close the meeting in order to **present an overview of the Agency's Fiscal Year 2021 Budget** which includes matters regarding the employment and compensation of government appointees, employees, or officials because an open meeting would adversely affect the employment and compensation related issues affecting the Agency. (D.C. Code §2-575(b)(10)). 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 5:37 p.m. and re-opened at 6:47 p.m.

#### **IV. Consideration of DCHFA Final Bond Resolution No. 2020-20 for Spring Flats Family Apartments.**

Ms. Kristin Chalmers, Senior Multifamily Underwriter, 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 \$25.5 million to finance the Spring Flats Family Project. (the "Project").

In August 2017, the Office of the Deputy Mayor for Planning and Economic Development ("DMPED") selected Victory Housing, Inc. ("VHI"), Brinshore Development, LLC ("Brinshore") and Banc of America CDC ("BOACDC") to redevelop the site at 1125 Spring Road NW, including the former Hebrew Homes and Paul Robeson school site. The site is located in the Petworth neighborhood in Ward 4, a block south of the Georgia Ave-Petworth Metro Station. The three phases of the re-development will be Spring Flats Family, Spring Flats Seniors, and Spring Flats Townhomes. The Spring Flats Family development will consist of the new construction of 87 affordable and workforce units, Spring Flats Senior will consist of the adaptive re-use of the historic Hebrew Home to create 88 affordable age-restricted units. Spring Flats Townhomes will consist of the new construction of ten (10) mixed-income homeownership units.

The unit mix of the Spring Flats Family Development will be 47 one-bedroom units, 18 two-bedroom units and 22 three-bedroom units, totaling 87 units. The units will be restricted at 30%, 50% and 120% of Area Median Income ("AMI") or less. There will be 29 units restricted at the 120% AMI level which are referred to as workforce housing units. The workforce housing units will be dispersed throughout the property and an A&T Lot structure has been established to

separate the low-income housing tax credit (“LIHTC”) units and the workforce units into separate real estate parcels.

The LIHTC component of the project will have a master lease holder and a workforce condominium that will enter into a sub-lease agreement from the master condominium. Site control is evidenced by a Land Disposition and Development Agreement (“LDDA”) with DMPED that was fully executed in August of 2019. A 99-year ground lease for the Project was recorded in April 2020 when the Spring Flats Seniors transaction closed.

Property amenities will include a community room with a smartboard, fitness room, onsite property management office, 57-car parking garage, and private outdoor space. The building will be certified LEED Gold. Unit amenities will include kitchens with wood cabinets, dishwashers, disposals, individual washer/dryers, Energy Star appliances and lighting, and wiring for communications and security.

Rents for the Project are underwritten to the max 50% LIHTC rents. The Project’s 120% AMI rents represent an average 3% to 12% market advantage to the comparable rental properties. The maximum rent for a one bedroom at 120% AMI is \$2,720 and \$2,260 at 100% AMI. The one bedroom units are therefore below 100% AMI rents for the District of Columbia.

The capital stack for the development will consist of permanent financing of \$19.1 million as a Freddie Tax-Exempt Loan (a “Freddie TEL”), a \$10.7 million DHCD Housing Production Trust Fund (“HPTF”) loan, approximately \$8 million in LIHTC Equity, a \$2.6 million sponsor loan, and \$1.9 million Deferred Developer Fee. The total development cost is \$41.9 million (\$481,655/unit), inclusive of hard and soft costs, developer and financing fees, reserves, and escrows.

Spring Flats Family, LLC will be the owner and borrowing entity (“Borrower”) in the transaction. The 0.01% managing member and general partner is Spring Flats MD LLC and consists of Victory Housing, Inc. as the 51% managing member, Brinshore Development, LLC as a 44% member and Banc of America CDC as a 5% member. At closing, Spring Flats Family, LLC will admit a 99.99% tax credit investor member, Bank of America, into the partnership to facilitate the LIHTC equity investment.

The sponsor has selected Bank of America as the low-income housing tax credit investor for the subject transaction. Bank of America or an affiliate will acquire a 99.99% ownership in the project and provide equity contributions based on \$1.01 per \$1.00 per credit.

The remaining members of the development team consist of Hamel Builders as the General Contractor, Wiencek + Associates as the Architect, Habitat America as Property Manager and Catholic Charities as the PSH service provider.

Ms. Chalmers introduced members of the development team who were present telephonically: Leila Finucane with Victory Housing, Jolene Saul with Brinshore, and Maurice Perry with Bank of America CDC.

Ms. Chalmers opened the floor up for questions.

There were no additional questions.

Mr. Binitie called for a vote to approve DCHFA Final Bond Resolution No. 2020-20 for Spring Flats Family. 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. Discussion and Update regarding South Capitol Additional Bonds.**

Mr. Christopher Miller, Interim Vice President, Multifamily Lending & Neighborhood Investments, presented an update on the transaction to the Board. The Multifamily Lending and Neighborhood Investments (“MLNI”) underwriting staff presents a credit review of the Supplemental Bond Inducement in an amount not to exceed \$7,200,000 to finance increased costs of the South Capitol Multifamily project. The Agency issued Multifamily Housing Mortgage Revenue Bond Series 2017 A and B bonds in the total amount of \$30,000,000 for the initial closing of the project in February 2017.

The South Capitol Multifamily development is a 195 unit building in the Bellevue neighborhood with units reserved for households earning between 30% and 60% of Area Median Income (“AMI”). The project also includes retail space for a Good Foods Market, which will be the second grocery store in Ward 8, and office space for the Advisory Neighborhood Commission 8D. The project team consists of The Michaels Development Company (“Michaels”) as developer, JP Morgan Chase N.A. as the debt provider, and Bank of America N.A via Prestige Affordable Housing Fund XXIV as the tax credit equity provider. CityInterests was a co-developer on the project when the initial bonds were issued but has subsequently left the development team and Better Tomorrows, a nonprofit founded by Michaels, has joined the development team.

Construction for the project began shortly after closing in February 2017 and the development team selected certain subcontractors with nonperformance concerns. The primary cause of the delay was the hiring of a subcontractor to provide turn-key rough framing and vinyl window installation that could not perform. During construction, the Agency and other inspectors identified numerous deficiencies with the work and DCHFA’s construction engineer informed the developer that any change orders related to framing, including time delay and associated costs, would not be approved by the Agency. The decision was made to terminate the original framing subcontractor and to replace them with Crescent Construction, a Certified Business Enterprise (“CBE”) contractor.

Similar issues occurred with the subcontractors selected to provide plumbing and fire sprinkler work, and waterproofing. The plumbing and fire sprinkler subcontractor failed to meet performance requirements and was terminated by the General Contractor in December 2018. DCHFA advised Michaels and Prestige that any change orders related to this work would not be approved for payment. The waterproofing subcontractor completed the foundation waterproofing and then abandoned the job. The delays and costs overruns associated with the mismanagement of the project led to a dispute between the original co-developers, Michaels and CityInterests, that further delayed the project and led to additional costs overruns.

The project manager and onsite supervision were replaced by the general contractor in fall 2018. Senior leadership at Prestige Building Company was replaced in February 2019 and overall supervision of the project has increased since the construction problems were identified. The project has achieved 38.5% CBE participation, and complies with the 35% threshold requirement. The project is expected to not meet the First Source requirements and a final penalty or waiver based on best efforts from DOES will not be provided until the building is 100% completed and all the certified payrolls are entered into the system. Additional costs increase include construction period interest, costs associated with construction inspections, and costs associated with the additional requested financing. The developer has funded the increased costs of the project with their own capital; however, the project no longer meets the 50% test and needs additional bonds prior to the redemption of the original Series B bonds on October 1, 2020.

The Developer has indicated that leasing of the project is expected to begin imminently upon receipt of an initial Certificate of Occupancy for 135 of the units on the first three residential floors of the building. The two additional floors of residential units are complete and will submit for a Certificate of Occupancy once the first submission is approved by DCRA.

The Supplemental Bond amount of \$6.0 million will consist of a \$1.8 million long term and a \$4.2 million short term bond issuance. The short-term bonds will then be issued solely to meet the 50% test and will be repaid with the proceeds of the bonds. The supplemental long-term bond will have an 18-year term, 35-year amortization period, and are underwritten to a 4.05% interest rate. The additional long-term bond issuance is supported by a reduction in operating expenses due to the nonprofit real estate tax abatement and increases in LIHTC rents from the original underwriting in 2017.

The tax credit equity provider, Bank of America, will provide additional equity based on the increased costs; however, the project is subject to downward adjusters due to the delays. The equity price has been reduced from \$1.105 to \$0.99 per credit but the increase basis generated an additional \$1.7 million in tax credit equity from the initial issuance.

Michaels has invested over \$9 million of their capital into the project and will keep \$7.4 million of the amount invested in the transaction as either equity capital or a sponsor loan with 0% interest rate.

Mr. Miller introduced Nick Bracco from Michaels Development and opened the floor for questions.

Mr. Bracco provided a general update and reinforced that Michaels Development is committing to making the development work and provide a long-term solution to construction delays. Mr. Binitie inquired about the status of the security of the asset. Mr. Bracco reiterated the lien positions of the loans and his hopes to raise additional capital funds over time. Mr. Binitie stated that the contractor, Prestige, will no longer be an accepted entity for DCHFA projects going forward. Ms. Howard asked whether there are any concerns about long-term deficiencies in the structure of the building. Mr. Bracco replied in the negative and has identified and corrected any deficiencies. Mr. Irving asked about the status of the third-party inspectors and whether there are

any issues. Mr. Bracco stated that the third-party inspectors for his other financing partners are the same as the current transaction and that he worked with the sub-contractors and that the building has passed zoning inspection. Mr. Jackson asked when the challenges with Prestige were first discovered. Mr. Bracco responded that the subcontractor who provided framing in 2018 was the first situation that caused concern which stopped construction and required a re-assessment of the entire job.

There were no additional questions. There was no vote on the transaction because it was a credit review update for the Board.

There were no additional questions.

#### **VI. Other Business.**

There was no other business.

#### **VII. Interim Executive Director's Report.**

Mr. Donald acknowledged the new signage in the DCHFA auditorium honoring the late Todd A. Lee and recognized Yolanda McCutchen and Susan Ortiz regarding the amazing job they performed to install it.

#### **VIII. Adjournment.**

Mr. Binitie called for a motion to adjourn the meeting. Mr. Green 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 7:12 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on October 9, 2020.

Approved by the Board of Directors on October 13, 2020.