

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

**September 22, 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 5:33 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. Scottie Irving, and Ms. Heather Howard.

**II. Approval of the Minutes from the August 25, 2020 Board Meeting.**

A motion was made to approve the minutes from the August 25, 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 the Agency’s Fiscal Year 2021 Budget, Northwest One Phase 1, Savannah Apartments, and South Capitol – Additional Completion Bonds.**

(A) Pursuant to the District of Columbia Administrative Procedure Act, I will now call a vote to close the meeting in order to discuss **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)).

(B) 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 **Northwest One Phase 1, Savannah Apartments, and South Capitol – Additional Completion Bonds**. 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. Irving made a motion to close the meeting. The motion was properly seconded by Mr. Green. The motion passed by a chorus of ayes.

Discussion and vote on the Northwest One Phase 1 transaction was tabled.

The meeting was closed at 5:37 p.m. and re-opened at 7:24 p.m.

**IV. Consideration of DCHFA Resolution No. 2020-12 (G) for the approval of the Agency’s Fiscal Year 2021 Budget.**

Mr. Steve Clinton, Agency Chief Financial Officer, presented the Fiscal Year 2021 Agency budget to the Board.

Mr. Clinton addressed key budget assumptions and stated that the fiscal year volume and multifamily volume is \$200 million, which is down substantially from last year. The single family budget is also estimated to be down \$50 million; those two numbers will impact DCHFA’s revenues. On the expense side, the Agency has eight vacancies, and expects to fill six; two are on hold which also impacts the budget.

As Mr. Clinton noted, the Agency’s volume will be lower, so the Agency’s revenue will be \$7.7 million on the multifamily side in upfront fees. Conduit and other fees should be steady and the multifamily revenue is an estimated \$14.7 million. Single family revenue will be moderately down due to the decrease in volume, with an estimated revenue of \$1.7 million. Interest income, due to the low interest rate environment, is also going to be down from last year's budget.

Overall net revenue is down approximately \$2 million from last year's budget and approximately \$3 million from this year's actuals.

On the revenue side, the Agency is holding personnel and employee benefits relatively flat to slightly down. The notable increase from last year's budget to this year's budget is professional services, which is up more than one million dollars. This increase is largely related to the Agency's move-associated costs including the JLL contract that the Board previously approved, and relocation services of \$200,000. Additionally, the Agency is modestly increasing its financial advisor usage next year. The rest of the expenses are generally in line with last year's budget. The total expenses for Fiscal Year 2021 are \$13 million. The actual expenses in Fiscal Year 2020 are down from what was budgeted—this is related to the COVID-19 pandemic. As a result, the Agency's costs are down, and the Agency also has some unfilled vacancies that drove down actual numbers.

Mr. Clinton stated that the Fiscal Year 2021 budget change is mostly in professional services, he also noted that the Agency expects to spend a million dollars in capital expenditure, and some actual expense will be in 2021, however, it will be spread over three to five years.

Mr. Clinton concluded the presentation and opened the floor for questions.

There were no questions.

Mr. Binitie called for a vote to approve DCHFA Resolution No. 2020-12 (G) for the approval of the Agency's Fiscal Year 2021 Budget with the caveat that Agency staff send the Board detailed information regarding the FY 21 Agency budget categories.

Mr. Green made a motion on the resolution and Ms. Howard properly seconded the motion. Mr. Donald took a poll vote. The resolution was unanimously approved.

## **V. Consideration of DCHFA Final Bond Resolution No. 2020-22 for Savannah Apartments.**

Mr. Christopher Miller, Interim Vice President, Multifamily Neighborhood Lending & Investments ("MLNI"), presented the transaction to the Board. MLNI underwriting staff requests the approval of a final bond resolution from the DCHFA Board of Directors for the issuance of tax exempt bonds in an amount not to exceed \$13.1 million to finance a portion of the cost to acquire and rehabilitate 65 units at Savannah Apartments (the, "Project").

Savannah Apartments is a 65 unit apartment community consisting of 14 buildings built in 1947. The property's unit mix is comprised of 56 two bedroom and nine three bedroom units. The property is currently unrestricted, existing in a naturally occurring affordable housing in the Congress Heights neighborhood. The proposed project is a substantial rehabilitation of the property with onsite tenant relocation. The rehab will begin in buildings with the most vacancies, and tenants will be relocated to other vacant units throughout the property during the renovation period.

The capital stack will consist of a Freddie TEL in the amount of \$4.57 million, \$9 million in Housing Production Trust Funds (“HPTF”) from the District of Columbia Department of Housing and Community Development (“DHCD”), \$7 million in low income housing tax credits (“LIHTC”) from Bank of America via Hudson Capital, \$1.3 million from the Douglas Community Land Trust, \$976,000 in deferred developer fee, \$551,000 in accrued interest from a DHCD acquisition loan, \$500,000 from the Share Fund, and \$681,000 in interim income since acquisition.

The total development cost is \$24.9 million, or \$384,000 per unit, inclusive of acquisition debt retainment, hard and soft costs, developer and financing fees, reserves and escrows. The remaining members of the development team consist of Hamel Builders as general contractor, Stoiber & Associates as architect, and Quantum as the property manager.

The effective gross income is underwritten to \$882,000 in year one based on a five percent vacancy. Annual operating expenses are projected at \$570,000, resulting in a Net Operating Income of \$312,000, which supports a permanent mortgage of \$4.57 million with a 1.22 debt service coverage ratio. Rent projections are in line with what is being achieved at comparable properties in the subject market area. Fifteen of the two bedroom units and two of three bedroom units are occupied by tenants subject to the District’s Tenant Opportunity to Purchase Act (“TOPA”) agreement and have below market rents.

The Project will be financed via the issuance of \$11.5 million via taxes and loans from the Agency. Freddie Mac will serve as the permanent lender via a Freddie TEL structure with Bank of America as the construction finance lender. Bank of America via Hudson Capital is the LIHTC equity investor, and will pay one dollar per dollar credit. Total LIHTC equity contribution for the Project will be \$7 million.

The Project will enter into a sell-leaseback transaction of the land for the property with the Douglas Community Land Trust for \$1.3 million, with the lease term of 99 years and one 99 year renewal option. The ground lease will provide additional capital to the transaction while also permanently restricting the property to affordable housing in perpetuity. The developer will make a \$525,000 initial payment on the ground lease at closing, and will have a fixed annual payment of \$15,600, with a cash flow contingent three percent annual escalation. The developer will continue to own the improvements, and the land trust will have a right of first refusal subject to TOPA and other DC Government laws.

Mr. Miller concluded the presentation, opened the floor for questions and introduced Mr. Ed Pauls from the development team present on the Board meeting call.

Mr. Binitie asked Mr. Pauls to explain the land trust. Mr. Pauls responded stating that the land trust has netted the development team more capital for the project, net of the \$525,000 payment, it has contributed almost \$800,000 to the project. Mr. Pauls also added that the land trust leadership brings a lot to the table, to the property, and for the residents.

Mr. Binitie called for a vote to approve DCHFA Final Bond Resolution No. 2020-22 for Savannah Apartments. Mr. Green made a motion to approve the resolution; the motion was

properly seconded by Ms. Howard. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

**VI. Consideration of DCHFA Final Bond Resolution No. 2020-23 for South Capitol Multifamily Additional Completion Bonds.**

Mr. Christopher Miller, Interim Vice-President MLNI presented the transaction to the Board. The MLNI underwriting staff requests the approval of a Final Bond Resolution from the Agency's Board of Directors for the issuance of tax exempt bonds in an amount not to exceed \$7.2 million to finance increased costs of the South Capitol Multifamily transaction (the "Project").

The Agency issued multifamily housing mortgage revenue bonds series 2017 A and B in a total amount of \$30 million for the initial closing of the project in February 2017. Since the credit review by the Board on September 8, 2020, the Project received the first certificate of occupancy for the 139 units on September 10th, and began move-ins shortly thereafter. The certificate of occupancy for the balance of the units was submitted on September 15th, and is expected to be approved by mid-October.

The Agency's construction engineer was onsite since the project received the initial certificate of occupancy and observed tenants moving into the project. The Agency's estimate is that about 30 households have moved in. The sponsor will record a subordinate loan in an amount of \$6.9 million with a zero percent interest rate.

Mr. Miller concluded his presentation, opened the floor for questions, and introduced members of the development team present on the Board meeting call: Nick Bracco from Michaels Development.

There were no additional questions.

Mr. Binitie called for a vote to approve DCHFA Final Bond Resolution No. 2020-23 for South Capitol Multifamily Additional Completion Bonds. Mr. Irving made a motion to approve the resolution; the motion was properly seconded by Mr. Green. Mr. Donald took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

**VI. Other Business.**

There was no other business.

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

Mr. Donald announced that Christopher Miller, Interim VP MLNI was leaving the Agency, Mr. Donald and the Board members provided well wishes.

**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. Irving.

Mr. Binitie. The motion passed by a chorus of ayes.

The meeting was adjourned at 7:51 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on October 23, 2020.

Approved by the Board of Directors on October 27, 2020.