DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
February 12, 2019
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum.

DCHFA Board Vice Chairman Stephen M. Green called the meeting to order at 5:40 p.m. and asked the Secretary to the Board, Mr. Todd Lee to verify a quorum. With five members present, the Board of Directors had a quorum, and the meeting continued.

The following members were present: Buwa Binitie, Stephen M. Green, Bryan "Scottie" Irving, Stanley Jackson, and Sheila Miller. Stanley Jackson participated via teleconference.

II. Approval of the Minutes from the January 22, 2019 and January 25, 2019 Board Meetings.

A motion was made to approve the minutes from the January 22, 2019 and January 25, 2019 Board Meetings by Mr. Jackson. The motion was properly seconded by Ms. Miller.

The motion passed by a chorus of ayes.

III. Discussion: Review of DCHFA First Quarter Interim Financials.

Ted Blake, DCHFA Chief Operating Officer, talked to the Board about first quarter financial updates. He explained the financial update is a look at how we performed in October through December, which is the first quarter of the fiscal year. Among other things, Mr. Blake mentioned favorability in the income category with respect to origination application fees, interest on investments and interest on loans, and asset management fees. With respect to expenses, Mr. Blake said the Agency is declaring favorability on the personnel side of things, driven primarily by delays in hiring. Employee benefits, Mr. Blake said, are slightly unfavorable, driven by higher-than-expected health care and dental costs.

Mr. Blake then reviewed and provided an update on the investment portfolio.

There was no vote by the Board, the presentation was given for informative purposes only.

IV. Discussion: Review of Multifamily Pipeline.

Christopher Donald, DCHFA Senior Vice President of Multifamily Lending and Neighborhood Investments, led the discussion on the anticipated multifamily pipeline for the rest of fiscal year 2019. Mr. Donald explained that there are two risk-share transactions, one that the Agency is in the midst of moving forward and another which the Agency is currently pursuing, hoping to win. Mr. Donald said that the Agency has already closed five transactions to date, including the following: the Residences at St. Elizabeth East Apartments, Mass Place Apartments, Takoma Place, Milestone Senior Housing, and most recently 555 E Street Senior Apartments.

Mr. Donald said that the months of March and April 2019 should be very busy for the Agency with respect to loan closings, and then it drops off a bit after that point. He also mentioned that all of the upcoming deals already have subsidy assigned, with the exception of The Strand.

Board Chairman, Buwa Binitie, asked under what circumstances the Agency determines what is a risk share deal and what is a private placement. Mr. Donald responded that there are a number of different factors that go into making that determination – primarily it is the borrower, what the borrower is thinking and what borrower relationships are already in place.

Vice-Chairman, Stephen Green, asked what is the volume – how many deals a year is the Agency trying to close. DCHFA Executive Director, Todd A. Lee, said about 14 to 16 deals – between the Agency, the Housing Production Trust Fund, and the borrower or developer, if we work together, we should be able to close that many deals this year.

There was no vote by the Board; the presentation was given for informative purposes only.

V. Vote to close meeting to discuss Stanton Square and Maycroft Apartments.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors, Mr. Binitie 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 **Stanton Square and Maycroft Apartments.** An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

A motion to close the meeting was made by Mr. Green, seconded by Ms. Miller and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 6:20 p.m., and resumed at 6:52 p.m.

Ms. Miller disclosed that she sits on the Board of Jubilee Housing, and therefore recused herself from the discussion about Maycroft Apartments out of an abundance of caution. Mr. Jackson, who was participating remotely, disclosed that he had been involved with the Stanton Square project with the Horning Brothers for a couple of years as a consultant (but has not been involved with them since the latter part of 2018). Mr. Binitie disclosed that with regards to Stanton Square, his company was a consultant on that transaction, so he recused himself from the Stanton Square discussion.

Ms. Miller recused herself and exited the room before the discussion of Maycroft Apartments.

VI. Consideration of DCHFA Eligibility Resolution No. 2019-02 for Maycroft Apartments.

DCHFA Underwriter Kristin Chalmers presented the transaction and information to the Board.

The multifamily and neighborhood investment underwriting staff recommends the Board authorize initial credit approval bonds in an amount not to exceed $4.14 million to finance the increase in construction costs for the subject property.

Chairman, Vice Chairman, and members of the Board, tonight we would like to provide a project update for Maycroft Apartments as well as facilitate the approval of the eligibility resolution and issuance of the TEFRA for a supplemental bond in an amount not to exceed $4.14 million.

The supplemental bond is needed to finance an increase in construction cost, which was not anticipated by the developer at the onset of the project. The higher-than-expected project costs have increased total basis to more than 50 percent of the $15.84 million initial bond that the Agency issued in June of 2017.

As a result, the bonds will no longer pass the 50 percent test required for tax-exempt bonds issued by the Agency.

Maycroft Apartments is located on Columbia Road, Northwest, in Columbia Heights, which is Ward 1. The project consists of separately financed residential and commercial components. The residential component, which was partially financed by the initial bond and LIHTC equity, entailed the acquisition and substantial rehab of an existing multifamily building that upon completion will have 64 affordable rental units.

For project updates, the rehabilitation of the commercial component is complete, and the $8 million in New Markets tax credit equity that financed that space was received at closing on the initial bond in June of 2017.

A condominium regime is currently placed to legally separate the security interest associated with the LIHTC and New Markets tax credit transactions.

The rehab on the residential component is 94 percent complete and also seven months behind schedule. Completion is expected at the end of this month. Lease-up on the 64 affordable units is expected to start in the beginning of March, so next month. Prior to construction start, 20 of these units were occupied. The developer expects 14 of those tenants to be returning. Jubilee expects the remaining 50 units to be leased within 60 days.

With regard to the transaction structure, the loan structure for the supplemental bond anticipates Jubilee as the bond buyer. The structure, however, is still moving and will be finalized in the coming weeks before final bond.

Two members of the development team, Avi Fetchter, EquityPlus, construction manager, owner's representative for Jubilee House and Shalynn Hudson from Jubilee House introduced themselves.

Mr. Green asked the development team what caused the seven month delay in the construction, and Mr. Fetchter responded that Hamel, the general contractor, understaffed the job.

Mr. Green asked for clarification on the two milestones that would be achieved by the supplemental bonds. Ms. Chalmers explained that the supplemental bonds would i) pay the increase in construction costs and ii) ensure that the 50 percent test for the tax-exempt bonds would be met. She explained that the actual increase in cost is $3.3 million.

Mr. Binitie called for a motion on the Resolution. Mr. Green made a motion to approve DCHFA Eligibility Resolution No. 2019-02, that motion was properly seconded by Mr. Jackson. Mr. Lee said the Board took a poll vote because the Agency is committing volume cap.

The motion was voted on by all the members present at the meeting. The motion was approved by a chorus of Ayes.

Mr. Binitie and Mr. Jackson recused themselves from the discussion of Stanton Square.

VII. Consideration of DCHFA Final Bond Resolution No. 2019-01 regarding Stanton Square Apartments.

DCHFA Underwriter, Ugonna Duru, presented the transaction and information to the Board.

Good evening, Mr. Chairperson, and members of the Board. The Multifamily Lending and Neighborhood Investment Underwriting staff recommends that the District of Columbia Housing Finance Agency's Board of Directors approve a final bond resolution for the authorization to issue tax-exempt bonds in an amount not to exceed $25,258,750 to finance a portion of the new construction of Stanton Square Apartments.

DCHFA's Board of Directors approved an eligibility resolution authorizing the issuance of taxable and/or tax-exempt bonds or obligation on December 1, 2017, as part of the Agency's convertible option bond, which was the District's plan of action to preserve affordable housing. A private activity bond has been discontinued by federal tax reform. This transaction was included in the resolution for inducement.

Stanton Square Apartments is a proposed 121-unit affordable housing development in Anacostia. Of the 121 units planned, 13 will be permanent supportive housing units receiving local rent supplemental program vouchers. The remaining units will be restricted to households at 50 percent area median income or less.

The capital for the development will consist of permanent financing in the amount of $8.1 million provided by J.P. Morgan Chase, $17.6 million from the Housing Production Trust Fund, $13.2 million in LIHTC equity provided by National Equity Fund, $2 million in deferred developer fee, and a $325,000 seller loan note.

The total estimated development cost of the project is $45,437,015, or approximately $375,000 per unit, inclusive of acquisition, hard and soft costs, developer and financing fees, reserves, and escrow.

A subsidiary of Horning Brothers named Sunrise Development Corporation will be the sponsor, developer, and guarantor for this transaction.

A survey of rents in a primary market area of the proposed development show that nearby properties are achieving 60 percent rents with low vacancies. It is expected that Stanton Square Apartments will achieve the proposed 50 percent rent to stabilize this plan.

Two members of the development team introduced themselves: David Roodberg, the CEO and President of Horning Brothers; Andrew Vincent, Vice President of Development for Horning Brothers. Mr. Vincent introduced two consultants that they brought tonight – Loretta Caldwell, President of L.S. Caldwell and Associates, contracting and performing outreach compliance for the project, and Cecilia Mateo, compliance officer with LSC.

Mr. Lee asked Ms. Caldwell how the development team plans to utilize Ward 8 SBEs on this particular job. Ms. Caldwell mentioned that the Horning Brothers were very adamant about the utilization of CBE firms, particularly in Ward 8. She mentioned that the developer had a relationship that began with Department of Employment Services that was ongoing because they also have a responsibility of utilizing Ward 8 residents for employment opportunities.

Mr. Green raised a question about the operating costs, and asked the developer to address the projected operating costs and plans for ongoing capital improvements. Mr. Vincent said the operating budget for the property is approximately $6,200 per unit, and the reason they are able to operate sustainably at that level is that the project is being managed as a portfolio – he said there are three other properties in the immediate vicinity of Stanton Square that they are already managing together as one property.

Mr. Green called for a Motion on the Resolution. Ms. Miller made a motion to approve DCHFA Final Bond Resolution No. 2019-01, and it was properly seconded by Mr. Irving.

The motion was approved by roll call vote. The motion was approved by a chorus of Ayes.

VIII. Consideration of DCHFA Resolution No. 2019-05(G) regarding Furloughed Government Employee Foreclosure Prevention Program ("DC MAP").

Todd A. Lee, DCHFA Executive Director and Secretary to the Board, presented the information to the Board.

Mr. Lee mentioned that the DC MAP program was previously approved by this Board. DCHFA was very prescriptive in the way the resolution was written, he said, and on January 25th, the day the Agency opened the program, the government temporarily reopened. Mr. Lee said the prior resolution, as written, did not authorize the Agency to reopen the program in the event that there is another shutdown. Mr. Lee said the Agency thinks it is the intention of the Board that, in the event of another government shutdown, the Agency will reopen the DC MAP program. Mr. Lee stated that the Board needs to approve an updated resolution in order to facilitate a reopening of DC MAP.

There being no questions, Mr. Binitie called for a vote on DCHFA Resolution No. 2019-02(G). Ms. Miller made a motion to approve the Resolution, which was seconded by Mr. Irving.

The motion was approved by a chorus of Ayes.

IX. Other Business

There was no other business.

X. Executive Director's Report

1. Mr. Lee announced that at the February 26, 2019 meeting of the Board, the Agency is going to have its auditors come in and present the annual financial audit to the Board of Directors.

2. Mr. Lee also announced that the Agency will be bringing on a new staff member, Monte Stanford, as DCHFA's Chief Operating Officer starting March 4th.

XI. Adjournment

Mr. Binitie called for a motion to adjourn.

A motion to adjourn the meeting was made by Ms. Miller and seconded by Mr. Green.

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:34 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on March 15, 2019

Approved by the Board of Directors on March 19, 2019.