DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
May 28, 2019
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum.

District of Columbia Housing Finance Agency ("DCHFA" or the "Agency") Board Chairman Buwa Binitie, called the meeting to order at 5:29 p.m. and asked the Secretary to the Board of Directors (the "Board"), Todd Lee, to verify a quorum. With three members present, the Board had a quorum, and the meeting continued.

The following members were present: Buwa Binitie, Bryan "Scottie" Irving (via teleconference), and Stephen M. Green.

II. Discussion: Review of DCHFA In-House Prepared Interim Financial Statement.

Ted Blake, DCHFA Chief Operating Officer, presented the second quarter financial update as well as the financial outlook information to the Board. Mr. Blake said overall DCHFA is currently net income-favorable by nearly $1.2 million. According to Mr. Blake, this is driven by favorability of $1.3 million on the expense side, while revenues, which are almost on budget, are unfavorable by $132,000. The minor shortfall on the revenue side is driven by two items: origination fees and non-administrative fees, as the Agency is a little behind what it had budgeted with regards to production on the multifamily side. That being said, fees from the Single Family Mortgage Credit Certificate Program as well as asset management fees resulting from a number of post-closing items in connection with the Forest City merger helped to close the shortfall.

Mr. Blake then moved on to the financial outlook for the 2019 fiscal year, which compares the actual revenues and expenses to the budget and shows the declared differences. He said with respect to origination fees, the Agency is projected to be unfavorable by $800,000, but the Agency has an opportunity to possibly close that gap towards the end of the fiscal year if the Randle Hill and East Capitol transactions close. Christopher Donald added that there are a number of transactions that the Agency is trying to help get across the finish line, but some of them are challenged.

With respect to interest on investments and interest on loans, Mr. Blake said the Agency is already favorable by $250,000, and the Agency is projecting favorability by $300,000. As the Agency builds out its portfolio, the Agency is expecting to see some favorability on that side of things. Mr. Lee added that the Agency will eventually see an uptick in McKinney Act activity, which actually lends a lot to the revenue associated with that line item.

On the expense side of things, Mr. Blake said the Agency is running favorable year-to-date on personnel costs by $290,000 due to open positions. He said the Agency is hopefully conservative in only projecting $300,000 in favorability there. So overall expenses will be favorable by $450,000 offsetting the shortfall on the revenue side, giving the Agency a projected net income of $150,000.

III. Vote to close the meeting to discuss Hanover Courts and Tivoli Gardens, Kenilworth 166 (Phase I), and the Single Family HomeSaver Program.

Pursuant to the District of Columbia Administrative Procedure Act, Mr. Green called a vote to close the meeting in order to discuss, establish, or instruct the Agency's staff or negotiating agents concerning the position to be taken in negotiating the price and other material terms of Hanover Courts and Tivoli Gardens, Kenilworth 166 (Phase I), and the Single Family HomeSaver Program because an open meeting would adversely affect the bargaining position or negotiation strategy of the Agency.

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

Mr. Green disclosed that while he is not personally involved, the non-profit that he works with is in a joint venture or a partnership on another project with The Warrenton Group. He stated that his organization has no involvement with the Kenilworth 166 transaction in any way, and also has no financial interest in the deal.

The meeting was closed by unanimous consent at 5:51 p.m. and resumed at 6:40 p.m.

IV. Eligibility Resolution and McKinney Act Board Resolution for Kenilworth 166 (Phase 1)

DCHFA Underwriter, Ksenia Camacho, presented the transaction and information to the Board.

The Multifamily Lending and Neighborhood Investment (MLNI) underwriting staff requests McKinney Act loan approval and approval of an inducement resolution from the DCHFA Board of Directors for the issuance of tax-exempt bonds in an amount not to exceed $48,750,000 and a McKinney Act pre-development loan in the amount of $1,000,000 to finance a portion of the cost to construct 166 units at Kenilworth 166.

The sponsor has requested a McKinney Act loan to assist with the pre-development cost at this stage of the project to pay for architectural, engineering, permitting and legal costs. The project was awarded $17.6 million in Housing Production Trust Funds (HPTF) in the last Notice of Funding Availability (NOFA) round.

The current improvements on the site are nine existing buildings containing 89 residential units currently owned and managed by the DC Housing Authority (DCHA). Through a competitive RFP process in 2012, DCHA selected Michaels Development Company (Michaels) and The Warrenton Group as co-developers.

DCHA, in coordination with the tenants and the Kenilworth Courts Residential Council, has developed and submitted to the U.S. Department of Housing and Urban Development (HUD) a phase relocation plan as part of the demolition/disposition application which was approved on April 19, 2018. DCHA will enter into a long-term 99-year ground lease with the owner entity.

The project will consist of a 42-unit mid-rise four-story elevator senior building restricted for seniors at 55 years-plus, a 65-unit mid-rise four story elevator family building, 44 town homes, and 15 stacked town home flats. All 166 units will be restricted to residents earning 50 percent AMI or below with 17 of those units set aside as permanent supportive housing (PSH) units receiving Local Rent Supplement Program vouchers.

Of the 17 PSH units, 7 will be for seniors. Supportive services for the PSH units will be provided by Open Arms Housing. Better Tomorrows will also provide supportive services to the non-PSH tenants at the property. One hundred and one units will receive Local Blended Subsidy rental subsidies to be paid under a new 15-year housing assistance payment contract.

The capital stack for the development will consist of permanent financing in the approximate amount of $20.2 million, $17.6 million in HPTF funds, $26.2 million in Low Income Housing Tax Credit (LIHTC) equity, $4 million in Deputy Mayor of Planning and Economic Development (DMPED) New Communities demolition and infrastructure loan funds, $808,000 in HUD working capital reserve return, and $5 million in deferred developer fee.

The total development cost is estimated to be $73.8 million, which equates to about $445,000 per unit inclusive of hard and soft costs, developer and financing fees, as well as reserves and escrows. The project has not yet secured construction or permanent financing for the proposed structure.

Ms. Camacho introduced two members of the sponsorship team for the borrower – Chris Early of Michaels and Clint Jackson from The Warrenton Group.

Mr. Binitie asked the development team to briefly discuss the relocation plan for the project. Mr. Early mentioned that DCHA received a relocation plan approval approximately one year ago and they have brought in a third-party consultant to help residents find housing. Forty-eight households are being relocated to various locations within the District of Columbia, Mr. Early said, and the goal of their team is to complete the relocation process by late July. Mr. Early also mentioned that there is a nine-building demolition that has to happen as well, so they are trying to complete the raze permit process, the relocation process, the architectural plans process as well as the finance process, concurrently. He said the goal is to close by the end of the year.

Mr. Binitie asked Mr. Early what the division of labor is between the development team – that is, between Michaels, The Warrenton Group and DCHA. Mr. Early said he has been taking the lead on working with financing partners. The Warrenton Group has been coordinating with DMPED. Andre Gould at DCHA has been leading their activities.

There were no other comments related to Kenilworth 166. Mr. Binitie called for a motion on the resolution. Mr. Green made a motion to approve DCHFA Eligibility Resolution No. 2019-12 for Kenilworth 166 (Phase 1); that motion was properly seconded by Mr. Irving. Mr. Lee clarified that Mr. Green made a motion to approve two separate resolutions: i) DCHFA Eligibility Resolution No. 2019-12 for Kenilworth 166; and ii) DCHFA Resolution No. 2019-09(G) regarding a McKinney Act loan associated with Kenilworth 166. The Board took a poll vote because the Agency is committing volume cap for DCHFA Eligibility Resolution No. 2019-12.

The motion was approved by Mr. Binitie, Mr. Irving, and Mr. Green by a chorus of ayes.

V. Eligibility Resolution – Hanover Courts and Tivoli Gardens

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

The Multifamily Lending and Neighborhood Investments Underwriting staff requests the approval of an inducement resolution by the DCHFA Board of Directors for the issuance of tax-exempt bonds in an amount not to exceed $19,375,000 to finance a portion of the cost to rehabilitate 41 units at Hanover Courts and 49 units at Tivoli Gardens as part of one 90-unit scattered site development. The transaction will combine nine percent and four percent Low Income Housing Tax Credits - commonly referred to as a "twinning" transaction.

DCHFA's Board of Directors approved an eligibility resolution authorizing the issue of taxable and/or tax-exempt bonds or obligations on December 1, 2017 as part of the Agency's convertible option bond.

Hanover Courts and Tivoli Gardens were included in that resolution as separate developments; however, now that the properties will be partially combined and the transaction structure has significantly changed, a new inducement resolution is being requested.

Ms. Duru introduced Avram Fletcher from the development team for the borrower.

Mr. Green asked about the status of the nine percent model. Ms. Duru indicated that the Agency has not sought out, and has not received the nine percent model for this project. Then Mr. Binitie asked about the status of the execution of the HUD 221(d)(4) loans for this project. Mr. Avram mentioned that they are being treated as two separate loans, and the package was submitted to HUD for approval the previous Thursday, and he can provide the Form 202 for the nine percent deal as soon as possible.

Mr. Binitie said that since there are still a lot of outstanding questions and the Agency still needs more information, the inducement resolution will not be approved at this meeting. Mr. Binitie suggested that the Board have a special meeting at some point to address these issues. There were no other comments or questions related to Hanover Courts and Tivoli Gardens.

VI. Other Business

There was no other business.

VII. Executive Director's Report

- Mr. Lee mentioned that he would have an update on the BEGA certification process by the end of the week to provide to the Board.

- Mr. Lee stated that the Agency is preparing for Home Ownership Month in June, which is always a really busy month for the Agency and the other housing agencies in the City.

VIII. Adjournment

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:16 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on May 28, 2019.

Approved by the Board of Directors on June 25, 2019.