

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
August 13, 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 5:34 p.m. and asked the Secretary to the Board of Directors (the “Board”), Mr. Todd Lee to verify a quorum. With four members present, the Board had a quorum, and the meeting continued.

The following members were present: Buwa Binitie, Stephen M. Green (telephonic), Bryan “Scottie” Irving (telephonic), and Stanley Jackson (telephonic).

II. Approval of the Minutes from the June 25, 2019 Board Meeting.

A motion was made to approve the minutes from the June 25, 2019 board meeting by Mr. Jackson. The motion was properly seconded by Mr. Irving.

The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss 3500 East Capitol Street, NE/The Solstice II.

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 **3500 East Capitol Street, NE/The Solstice II**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

Mr. Irving disclosed that he has a conflict, and recused himself from any discussion or vote with respect to 3500 East Capitol Street/The Solstice II. He then exited the call.

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

The meeting was closed by unanimous consent at 5:38 p.m. and resumed at 5:51 p.m.

IV. Consideration of DCHFA Final Bond Resolution No. 2019-17 for 3500 East Capitol Street, NE/The Solstice II.

DCHFA Underwriter, Kristin Chalmers, presented the transaction and information to the Board and recommended that the Board approve and adopt a final bond resolution for the issuance of tax exempt bonds in an amount not to exceed \$22.6 million for The Solstice Phase II project, located at 3500 East Capitol Street Northeast in Ward 7.

The DCHFA's Board previously approved an eligibility resolution for the subject transaction on March 26th of this year.

This project is the second phase of a two-phase project. DCHFA's Board previously approved a final bond resolution for the Solstice Phase I, which is located adjacent to the subject property, on February 15, 2017.

Construction for Solstice Phase I is substantially complete and is projected to be placed in service by the end of this month. The proposed project is a 95-unit affordable housing development, located in the Deanwood neighborhood. The unit mix consists of 16 1-bedrooms, 67 2-bedrooms, and 12 3-bedrooms.

Of the 95 units, 5 will be permanent supportive housing (PSH) units receiving LRSP vouchers. The remaining 90 units will be restricted to households earning 50 percent of area median income. Total development costs for the project are \$39.3 million, or \$414,000 per unit.

The sponsor for the project is 3500 East Cap Venture, LLC, which is controlled by wholly-owned subsidiaries of Mid-Atlantic Realty Partners (MRP) and Taylor Adams Associates (TAA).

MRP will be the guarantor for the project. At closing, the sponsor will enter into a development services agreement with 3534 East Cap Developer, LLC, which is controlled by

MRP Urban, LLC (“MRP Urban”), and TAA. Both MRP Urban and TAA are District of Columbia CBE/SBE entities.

Community Connections will be the supportive services provider for the 5 PSH units. These services will consist of comprehensive case management, which will be delivered to PSH participants onsite at the property.

With regard to the transaction structure, the project will be financed through the issuance of \$18.2 million in short and long-term tax exempt bonds, which will be privately placed with JP Morgan Chase.

During construction, there will be a 30-month interest-only period, with the option for one six-month extension. Interest during this period will be one month London Interbank Offered Rate (LIBOR) plus a spread of 1.7 percent.

Upon conversion, the construction loan will be partially paid down using low income housing tax credit (LIHTC) equity. The remainder will convert to a permanent loan with a 40-year amortization and 18-year term. The interest rate for the permanent loan will be locked at construction loan closing and will equal the 10-year swap rate at that time plus 2.24 percent.

The capital stack will consist of permanent financing in the amount of \$9.3 million, \$16.1 million in DHCD Housing Production Trust Fund funds, \$12.7 million in LIHTC equity, and \$1.1 million in deferred developer fee.

In addition to the sponsor, the development team includes McCullough, who will be the general contractor, and Blue Sky Construction who will be the co-general contractor; Kettler Management is the property manager; SK&I Architecture is the architect; and Audubon Enterprises is the development consultant.

Ms. Chalmers introduced members of the development team – Mr. James Murphy from MRP via telephone and Ms. Carrie Fischer from Audubon Enterprises.

Mr. Binitie asked Mr. Murphy to help the Board with understanding MRP’s financials and why their net worth dropped from \$6.5 million in 2017 to \$148,000 in 2018. Mr. Murphy explained that they have redeployed all of their capital into other projects, and in the last 6 to 12 months they have commenced construction, which is why they are showing such a drop.

He explained that it is a snapshot in time before the assets start accruing and in the long term, they will be stronger.

Mr. Binitie followed up and asked what Wells Fargo and JP Morgan Chase have to say about the drop in MRP's net worth. Mr. Murphy stated that as far as he knows, Wells Fargo and JP Morgan Chase are not concerned. Mr. Fischer added that both JP Morgan Chase and Wells Fargo have issued their credit approvals based on MRP's financial statements, and there will be several individuals signing a guaranty as well, which brings additional financial strength.

Mr. Binitie confirmed with Ms. Fischer that the project will receive not only a corporate guaranty, but also individual guaranties as well. He then made sure that the other members of the Board are aware of that fact as well.

There were no additional questions related to the transaction.

Mr. Binitie called for a motion on the resolution. Mr. Jackson made a motion to approve DCHFA Final Bond Resolution No. 2019-17; that motion was properly seconded by Mr. Green. Mr. Lee stated the Board took a poll vote because the Agency is committing volume cap.

The motion was voted on by Mr. Binitie, Mr. Green, and Mr. Jackson. The motion was approved by a chorus of ayes.

V. Other Business.

There was no other business.

VI. Executive Director's Report.

Mr. Lee announced that Ms. Yolanda McCutchen received an award this week from the National Association of Black Journalists for her work in general and specifically around the media work that she accomplished for DCHFA's first risk share deal, Woodmont Crossing. Mr. Lee congratulated her for this achievement.

VII. Adjournment.

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 6:13 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on September 6, 2019.

Approved by the Board of Directors on September 10, 2019.