

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

September 24, 2019
815 Florida Avenue, NW
Washington, DC 20001
5:30 pm

AGENDA

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 5:40 p.m. and asked the Secretary to the Board of Directors (the “Board”), Mr. 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, Stephen M. Green, and Stanley Jackson.

Mr. Green made a statement of recusal from the discussion and vote on DCHFA Eligibility Resolution No. 2019-21 for Anacostia Gardens and was not present during the discussion or vote.

II. Vote to close meeting.

(A) Vote to close meeting to discuss the Agency’s Fiscal Year 2020 Budget.

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 the Agency’s Fiscal Year 2020 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)).

(B) Vote to close meeting to discuss the award of a contract to Partners for Economic Solutions to provide construction study services to the Agency, 1550 First Street, Anacostia Gardens, Spring Flats Senior Apartments, and Spring Flats Family 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 the award of a contract to Partners for Economic Solutions to provide construction study services to the Agency, 1550 First Street, Anacostia Gardens, Spring Flats Senior Apartments, and Spring Flats Family 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. Jackson, seconded by Mr. Green and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:43 p.m. and resumed at 7:37 p.m.

III. Motion to Table Spring Flats Senior Apartments and Spring Flats Family Apartments

Mr. Binitie called for a motion to table DCHFA Eligibility Resolution No. 2019-22 for Spring Flats Senior Apartments, and DCHFA Eligibility Resolution No. 2019-23 for Spring Flats Family Apartments for consideration at a later date, the motion was seconded by Mr. Jackson and was followed by a chorus of ayes.

IV. Consideration of DCHFA Eligibility Resolution No. 2019-21 for Anacostia Gardens.

DCHFA Underwriter, Ksenia Camacho, presented the transaction and information to the Board and recommended that the Board approve and adopt an inducement resolution for the issuance of tax exempt bonds in an amount not to exceed \$16,426,861 to finance a portion of the costs to acquire and rehabilitate 100 units at Anacostia Gardens (“Property”).

The transaction was included in the eligibility resolution authorizing the issuance of taxable and/or tax exempt bonds or obligations on December 1, 2017, as part of the Agency’s Convertible Option Bond (“COB”) which was the District’s plan of action to preserve affordable housing had Private Activity Bonds been discontinued under the federal tax reform. The transaction is being re-induced at this time due to the passage of time between the COB and the proposed closing.

In 2015, the previous owners of the property, Norsol Inc. decided to sell Anacostia Gardens, which triggered the District’s Tenant Opportunity to Purchase Act (“TOPA”). The tenants formed the Anacostia Gardens Tenant Association, Inc. (“AGTA”) and sought a developer partner to perform repairs and renovations to the Property. The AGTA chose the NHP Foundation (“NHP”) as developer and partner, and entered into an Assignment of Purchase & Sale Agreement and Tenant Purchase Rights and Development Agreement on February 15, 2016. The property was acquired in a non-arm’s-length transaction by an affiliate of NHP on June 25, 2019 for \$8,800,000.

The property is a 100-unit apartment community located in the Fort Dupont neighborhood of Southeast Washington, DC in census tract 77.87 in Ward 7 on a 2.52 acre parcel. The development is a four story apartment building built in 1964. The building is wood frame with a brick exterior and flat roof. Property amenities include a playground, on-site parking with 91 parking spaces, a community room and central laundry. Each unit is equipped with a range, a refrigerator, a disposal, central air-conditioning, window blinds, carpeting/vinyl flooring and an intercom entry system.

The unit mix of the development is 37 one bedroom units, 49 two bedroom units and 14 three bedroom units. The property is currently unrestricted, however it will be restricted at 91 units

at 60 percent of Area Median Income (“AMI”) or less and the nine remaining units will be restricted to 50 percent of AMI or less.

The proposed scope of work includes a new roof, new security system CCTV and installation of Key Fob access to all exterior doors, renovation of the community room, converting five apartments for Uniform Federal Accessibility Standards (“UFAS”) compliance, replacement of kitchen cabinets and kitchen appliances, new bath fixtures and replacement of water heaters and HVACs.

The capital stack for the development will consist of permanent financing in the approximate amount of \$7,848,112 as a private placement with R4 Capital, a \$9,850,000 DHCD Housing Production Trust Fund (“HPTF”) loan, \$8,382,975 in Low Income Housing Tax Credit (“LIHTC”), and a \$967,915 deferred developer fee. The total development cost is \$27,049,003 (\$270,490/unit), inclusive of acquisition debt repayment, hard and soft costs, developer and financing fees, reserves and escrows.

Anacostia Gardens Owner, LLC (“AGO”) will be the owner and borrowing entity (“Borrower”) in the transaction. The 0.01 percent managing member and general partner will be Anacostia Gardens GP LLC (“AGGP”). NHP will be the Managing Member of AGGP and own a 90 percent ownership interest in AGGP. Anacostia Gardens Tenants Association, Inc. will own a 10 percent interest in AGGP. NHP will be the guarantor for the transaction. The sponsor has selected NHT Equity, LLC (“NHT”) as the LIHTC Investor for the subject transaction. NHT or an affiliate will acquire a 99.99 percent ownership in the project and provide equity contributions equivalent of \$0.96 per \$1.00 per credit.

The remaining members of the development team consist of WCS Construction, LLC as the General Contractor, Studio K Architecture as Architect, Winn Residential as the Property Manager and Operation Pathways as the tenant services provider.

The underwritten net rents for the 60 percent AMI one bedroom, two bedroom and three bedroom units are set to 84 percent, 81 percent and 75 percent of max LIHTC rents for 60 percent AMI units respectively. For the 50 percent AMI units, the net rents are underwritten to 83 percent, 81 percent and 75 percent of max LIHTC rents for 50 percent AMI units, respectively.

Pursuant to the TOPA agreement, rent increases for qualified households residing at the Property at the time of the agreement following commencement of the LIHTC redevelopment and thereafter will be limited to the Consumer Price Index (“CPI”) plus 1.5 percent for non-elderly/disabled and CPI for elderly/disabled tenants.

Ms. Camacho stated that the presentation was concluded and asked if there were any questions. She then introduced a member from the development team, Mr. John Hoffer from NHT.

The Board Chair, Mr. Binitie, asked Mr. Hoffer to explain the relocation plan. Mr. Hoffer stated that the project consists of only one building and that the development team will be

commencing construction in four phases. He stated that, “The first phase has 22 units in it, so we'll need 22 units vacant. Right now we have 19 units vacant with one unit that has given notice, so that means we need two more units.” Mr. Hoffer noted that the relocation will be internal resulting in zero displacement. Mr. Hoffer also stated that tenants may not move into the same unit, and that they may move into a newly re-furnished unit upon completion of construction. Mr. Binitie also asked Mr. Hoffer who is TOPA counsel for the tenants, and Mr. Hoffer stated that TOPA counsel is from the Eisen & Rome, PC law firm.

Mr. Binitie called for a motion on the resolution. Mr. Irving made a motion to approve DCHFA Eligibility Resolution No. 2019-21; that motion was properly seconded by Mr. Jackson. The Board took a poll vote because the Agency is committing volume cap.

The motion was unanimously approved by Mr. Binitie, Mr. Jackson, Mr. Irving and Resolution No. 2019-21 was passed.

Mr. Green was recused from voting or participating in the discussion of this transaction and was not present during the vote or discussion.

V. Credit Review – 1550 First Street Apartments.

DCHFA Underwriter, Kristin Chalmers, presented the transaction and information to the Board for a Credit Review for the 1550 First Street transaction (“Project”) prior to requesting approval of a Final Bond resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed \$24.7 million. DCHFA’s Board of Directors previously approved an eligibility resolution authorizing the issuance of tax exempt bonds as part of the Agency’s Convertible Option Bond (“COB”). An Initial Credit Review was subsequently provided to the Board on July 24, 2018.

The sponsor, TM DBT Limited Partnership (“Sponsor”) gained site control in May 2017 after entering into an agreement of sale with DBT Development Group, LLC (“DBT”). As part of the agreement of sale and a joint development agreement between the Sponsor and DBT, the Sponsor has agreed to develop the project site into an affordable property consisting of 76 units and commercial space on the first floor. The commercial component will be separated under a condominium regime and will be conveyed back to DBT upon substantial completion of the Project.

The unit mix for the residential component will consist of ten efficiency units, 39 one bedroom units, 18 two bedroom units, and nine four bedroom units. All units will be restricted to 50 percent of AMI or less. The property will have 16 units designated for Permanent Supportive Housing (“PSH”) and will receive Local Rent Supplement Program funding (“LRSP”).

The general partner for the Sponsor is TM DBT General Partner LLC (“General Partner”) which is a joint-venture between United Planning Organization (“UPO”) and TM Associates. TM Associates will be managing day to day operations of the Project and UPO will be primarily responsible for providing tenant services for the 16 PSH units.

UPO will provide direct case management to 16 chronically homeless families who will be referred by the District of Columbia Department of Behavioral Health (“DBH”) through the Coordinated Entry System. Services provided by UPO to PSH units will include detailed case plans, monthly home visits, and financial education classes.

Total development costs of the Project are \$44.2 million or approximately \$582,000 per unit. Development costs on a per unit basis are on the high end primarily due to First Source compliance, design requirements for the Capitol Gateway Overlay, and nine four bedroom units which is a unique feature of the Project.

Rents are being underwritten to max 50 percent LIHTC rents. Rents in the Capitol Hill/Southwest submarket climbed by 2.8 percent during the FY 2019 second quarter to an average of \$2,417, which is the highest observed in the District’s nine submarkets. This increase in asking rents represents the ninth consecutive quarterly increase. Given the continuous growth in asking rents and limited supply of new affordable inventory in this submarket, the Project is expected to lease successfully at the underwritten rents.

The projected net operating income in year one is \$807,000 and supports \$12.5 million in permanent debt with a debt service coverage ratio (“DSCR”) of 1.23.

With regard to the transaction structure, the Project will be financed through the issuance of \$22.5 million in short and long term tax exempt bonds. The short term bonds will be collateralized with a construction loan from Bank of America priced at 30 day Libor plus 2.75 percent. The construction loan is interest only for 24 months with one six month extension option. Upon conversion, Barings will purchase \$12.5 million in long term bonds which will be collateralized by a permanent loan. The permanent loan will have a 17 year term and 40 year amortization. The interest rate will be based on ten year treasury plus a spread of 1.85 percent and forward rate lock cost of 15 basis points.

The tax credit investor will be Hudson Housing Capital who will be paying an investor rate of 99 cents per dollar. The total Low Income Housing Tax Credit (“LIHTC”) equity contribution is projected to be \$14.8 million. The primary guarantor for the transaction is REBJ Inc., a subsidiary of TM Associates Inc. There will also be guarantees during construction from Robert Margolis, President of TM Associates and Margolis Family Investments LLC. Other members of the development team include: TM Associates Management, Inc. as the property manager, PGN Architects as the Architect, and Gilbane Building Company as the General Contractor.

Ms. Chalmers stated that the presentation was concluded and asked if there were any questions. She then introduced a member from the development team, Mr. Neil Mutreja from TM Associates.

Mr. Binitie inquired about the cost of the Project, noting that the costs to finance the Project are higher than typical DCHFA financed projects. Mr. Mutreja responded acknowledging the high cost of the Project, and explained that the costs are a result of complying with the

District's First Source program, required retail components, and providing Leadership in Energy and Environmental Design ("LEED") Silver design elements. Mr. Mutreja also informed the Board that he will meet with the Project design team to quantify other contributions to the higher costs associated with the Project.

Mr. Binitie thanked Mr. Mutreja for his responses and concluded the Credit Review for the Project.

VI. Consideration of DCHFA Resolution No. 2019-12 (G) for the approval of the Agency's Fiscal Year 2020 Budget.

Angela Tibbs, DCHFA Accounting Manager, presented the information on the FY 2020 Budget to the Board. Ms. Tibbs summarized the detailed presentation submitted to the Board.

Ms. Tibbs reviewed DCHFA's FY 2019 accomplishments noting that the Agency celebrated Homeownership Month with new incentives for D.C. homebuyers including:

- Closing Cost Grants: \$1,500 for borrowers at 80 percent AMI or less, and \$2,500 for borrowers at 50 percent AMI or less.
- New Down Payment Assistance Program: The DC Open Doors mortgage loan assistance program will offer a new deferred down payment assistance loan product with no monthly payments and zero interest.
- New Rate Structure Loans: Lower first trust interest rates on DC Open Doors loans with down payment assistance.

Additionally, the Agency financed the District's first ever Medicaid based affordable assisted living residence, and continues to expand use of the HUD 50/50 Risk Share financing.

The DCHFA Housing Investment Platform ("HIP") was awarded three affordable development projects in Wards Six, Seven, and Eight, and has 100 units in development. Christopher Miller, DCHFA Senior Director of Housing Investments who leads HIP, was awarded the Emerging Leader award from the African American Real Estate Professionals-DC.

DCHFA won the 2019 National Association of Black Journalists Salute to Excellence Award for Best PR & Marketing- Government Agency for Woodmont Crossing Apartments - DCHFA's first Risk Share Deal. Woodmont Crossing Apartments was covered by six local, national and housing industry media outlets, and the Agency's community engagement initiative sponsored/partnered with 32 District organizations in FY 2019.

The FY19 quantitative highlights are as follows:

Multifamily Transactions

- 15 Multifamily transactions closed totaling \$302 million.
 - New Construction
 - Nine projects
 - 770 units
 - Rehab Projects
 - Six projects
 - 865 units
 - Housing Investment Platform
 - 100 units in development or pre-development
 - McKinney Act Loan
 - One \$1 million loan closed

Single Family Transactions

- DC Open Doors (“DCOD”)
 - 62 DCOD loans for a total of \$20.4 million which includes \$395,000 Down Payment Assistance (“DPA”), 47 with Mortgage Credit Certificates (“MCC”)
 - 1,009 DCOD loans for \$304 million over the lifetime of the loan
- MCC Standalones
 - 280 MCCs for \$92.4.7 million (YTD)
 - 515 MCCs for \$171 million over the lifetime of the loan
- Home Purchase Assistance Program (“HPAP”)
 - 140 loans funded
 - 328 loans funded over the lifetime of the loan

With respect to the Agency’s Fiscal Year 2020 budget, Ms. Tibbs stated that DCHFA budgeted \$19.5 million for revenue, \$11.4 million for expenditures, and net income is \$7.6 million. Ms. Tibbs’ presentation also included the Agency’s budget by expense line item and department.

Mr. Green congratulated the Agency on the FY20 budget and stated that the Board appreciates the level of detail and the comparisons by year.

Mr. Binitie called for a motion on the resolution. Mr. Green made a motion to approve DCHFA Eligibility Resolution No. 2019-21; that motion was properly seconded by Mr. Irving. The Board took a voice vote.

The motion was unanimously approved by Mr. Binitie, Mr. Green, Mr. Jackson, and Mr. Irving and Resolution No. 2019-12 (G) for the approval of the Agency’s Fiscal Year 2020 Budget was passed.

VII. Consideration of DCHFA Resolution No. 2019-13 (G) regarding the award of a contract to Partners for Economic Solutions to provide construction study services to the Agency.

Keami Estep, Senior Manager, Procurement and Corporate Resources presented the information to the Board. The Agency received a total of two (2) proposals in response to the request for proposals. Upon receipt of the proposals, Ms. Estep reviewed the proposals.

Through the independent evaluations and discussions, the evaluation committee agreed that Partners for Economic Solutions (“PES”) presented the best approach to completing the construction and presented a timeline most advantageous to the Agency.

Ms. Estep recommended awarding a contract to PES for Construction Study Services in the amount of \$90,087.00 for Tasks 1-4 & Task 6 for the base year with three (3) one-year option periods to renew contingent on the execution of a Memorandum of Understanding (MOU) with the District of Columbia Department of Housing and Community Development (“DHCD”) and the District of Columbia Office of Planning (“OP”).

This resolution was previously before the Board during the September 10, 2019 Board Meeting. During this meeting, the Board members recommended the revision of the contract to include an additional local partner who will provide analysis of the local affordable housing real estate market, specifically in the District of Columbia. The current contract before the Board represents an increase of the original contract price from \$64,000 to \$90,000 for the enumerated tasks.

Mr. Binitie called for a motion on the resolution. Mr. Green made a motion to approve DCHFA Eligibility Resolution No. 2019-13 (G); that motion was properly seconded by Mr. Jackson. The Board took a voice vote.

The motion was unanimously approved by Mr. Binitie, Mr. Green, Mr. Jackson, and Mr. Irving and Resolution No. 2019-13 (G) regarding the award of a contract to Partners for Economic Solutions to provide construction study services to the Agency was passed.

VIII. Other Business.

There was no other business.

IX. Executive Director’s Report.

Mr. Lee stated that at the next Board Meeting DCHFA staff will present the Agency’s risk management mechanisms including the Agency’s insurance policy coverages and rationale for the policies.

X. 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 8:15 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on October 18, 2019.

Approved by the Board of Directors on October 22, 2019.