DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
November 12, 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 Vice-Chairman, Stephen Green, called the meeting to order at 5:36 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: Stephen M. Green, Bryan "Scottie" Irving (telephonic), and Stanley Jackson (telephonic).

II. Approval of the Minutes from the October 28, 2019 board meeting.

A motion was made to approve the minutes from the October 28, 2019 board meeting by Mr. Jackson. The motion was properly seconded by Mr. Irving.

Mr. Lee took a voice vote. The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss Cascade Park Apartments Inducement and McKinney Act Savings Loan, Spring Flats Senior Apartments, Spring Flats Family Apartments, and SOME Scattered Site III.

Pursuant to the District of Columbia Administrative Procedure Act, the Vice-Chairman of the Board of Directors 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 Cascade Park Apartments Inducement and McKinney Act Savings Loan, Spring Flats Family Apartments, Spring Flats Senior Apartments, and SOME Scattered Site III. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

A motion was made to close the meeting by Mr. Irving. The motion was properly seconded by Mr. Jackson. The motion passed by a chorus of ayes.

The meeting was closed at 5:40 p.m. and re-opened at 6:46 p.m.

IV. Consideration of DCHFA Eligibility Resolution No. 2019-27 for SOME Scattered Site III.

Kristin Chalmers, Multifamily Loan Underwriter presented the transaction to the Board. So Others Might Eat ("SOME") Scattered Site III is a two property scattered site project that will consist of the major rehabilitation of two properties, Walter Reed – Building 17 and Anna Cooper House. Both properties will consist entirely of 30 percent Area Median Income ("AMI") efficiency and Single Room Occupancy ("SRO") units and will provide supportive housing for homeless adults and seniors. Walter Reed will consist of 40 affordable units catering to seniors and is part of the planned redevelopment of the Walter Reed Medical Campus in Ward 4. Anna Cooper will consist of 47 affordable units and is located in Ward 2. Walter Reed was awarded Housing Production Trust Funds (HPTF") by the DC Department of Housing and Community Development ("DHCD") in October 2014 and DC Local Rent Supplement Program ("LRSP") was awarded shortly after, however, the property's cash flow could not support sufficient permanent financing on a stand-alone basis. Anna Cooper subsequently applied for rehabilitation financing and was selected for further underwriting by DHCD in the fall 2017. In order to resolve the cash flow short fall and minimize the need for gap financing, the projects are being combined into a single transaction. Furthermore, in September 2019 the DC Housing Authority ("DCHA") agreed to increase LRSP contract rents for Walter Reed from 2014 to 2018 levels to make the transaction feasible.

The Sponsor, Scattered Site III LLC is comprised of Affordable Housing Opportunities, Inc., an affiliate of SOME, Inc. as the managing member and National Equity Fund who will be admitted as the tax credit investor upon closing for the transaction.

SOME has over 48 years of experience working with homeless men and women, providing direct services to meet their immediate need and developing programs to address the root cause of poverty and homelessness. SOME currently provides 729 affordable units for children, women, and men in varying stages of homelessness throughout the District of Columbia.

This project will be SOME's third scattered site project in DC. The two sites for the project will have different general contractors as was the case with the first and second scattered site projects. Anna Cooper will have Bozzuto Construction Company as the general contractor ("GC") and Hamel Builders will be the GC for the Walter Reed site. The GCs will work independently under separate contracts; however, there will be one contingency line item in the project budget for cost overruns which SOME will manage. SOME will also be providing a completion guarantee for the project.

The primary risk associated with the project is the reliance on operating subsidy. All but 16 units at the Walter Reed property will receive LRSP. To mitigate this risk, the permanent lender intends to require an operating reserve equal to six months of operating expense and debt service payments for the entire term of the loan which is 18 years. Rents for the 16 non-subsidized units are being underwritten to $231. This is a conservative projection and is based on 30 percent of the monthly 2020 Federal Supplemental Security Income payment which is $784.

SOME will offer a variety of support services and programming to residents at both sites. Support services will include case management, social engagement activities, health and wellness services, financial literacy services, crisis intervention, and recovery and sobriety services. Given that Walter Reed will target adults 55 and older; SOME will also be administering its Homebound Senior Program on site for tenants. This program is geared towards senior adults and provides case management by a licensed geriatric care social worker. The program also matches volunteers with homebound, low-income seniors to alleviate isolation and help with practical demands of day-to-day life.

With regard to the transaction structure, the project will be partially financed through the issuance of $16.5 million in DCHFA tax-exempt bonds which will be privately placed with JP Morgan Chase. During construction and lease up, there will be a 24 month interest only period with the option for one 6-month extension. Interest during the construction period will be based on the two year swap rate plus a spread of 200 basis points. 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 an 18 year term and 40 year amortization. The tax credit investor will be National Equity Fund who will be paying an investor rate of 98 cents per dollar of tax credit. The total LIHTC equity contribution is projected to be $10.1 million.

The Net Operating Income ("NOI") in year one of stabilization is approximately $412,500 which supports $6 million in permanent debt with a debt service coverage ratio of 1.26x.

SOME will be the guarantor for the transaction and will be serving as the property manager for both sites.

Ms. Chalmers concluded the presentation, and introduced members of the development team present: Jarrod Brennet, Julia Moran Mortan, and Sara Asgari from SOME.

Ms. Chalmers then opened the floor for questions.

Mr. Green asked the development team for more information regarding the location of Walter Reed – Building 17. Ms. Mortan described the building as distinct and next to the DC International School. Mr. Lee asked the development team what the building was being used for previously. Ms. Asgari responded noting that the building was most recently used for transitional housing.

Regarding Anna Cooper House, Mr. Green asked the development team if SOME owns the building. Mr. Brennet responded stating that SOME has owned the Anna Cooper House building since 1992, and it has been operating as SRO housing since then.

Mr. Green called for a motion to approve DCHFA Eligibility Resolution No. 2019-27 for SOME Scattered Site III. Mr. Jackson made a motion to approve the resolution, that motion was properly seconded by Mr. Irving.

Mr. Lee took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

V. Consideration of DCHFA Eligibility Resolution No. 2019-24 for Cascade Park Apartments and DCHFA Resolution No. 2019-14 (G) McKinney for Cascade Park Apartments.

Ms. Ksenia Camacho, Multifamily Loan Underwriter presented the transaction to the Board. The Multifamily Lending and Neighborhood Investments ("MLNI") underwriting staff requests the approval of inducement resolution from the Agency's Board for the issuance of tax-exempt bonds in an amount not to exceed $17,658,514, inclusive of the estimated $8,408,293 HUD 50/50 risk share permanent loan, as well as taxable bonds in the amount of $5,976,439, inclusive of the estimated $5,976,439 HUD 50/50 risk share permanent loan to finance a portion of the costs to acquire and rehabilitate 132 units at Cascade Park Apartments (the "Development" or the "Property"). MLNI staff also requests a McKinney Act loan approval in the amount of $1,000,000. The transaction will combine 9 percent and 4 percent low income housing tax credits ("LIHTC"), commonly referred to as a "twinning" transaction.

The current improvements consist of five three-story buildings constructed in 1949 situated on 5.8 acres. The previous owners of the Property provided District of Columbia Tenant Opportunity to Purchase Act ("TOPA") notices to the residents informing the residents of the intent to sell, however, the tenant's right of first refusal was not exercised and the deadline for doing so has passed. The property is currently under contract for $14,500,000 and must close by

December 31, 2019 per the Purchase and Sale Agreement (third amendment) dated September 29, 2019.

The property consists of 132-units located in Ward 8. The Project was constructed in 1949 and consists of five contiguous parcels that total 5.8 acres with five apartment buildings. For the purposes of the twinning transaction, Lots 36, 37 and 38, consisting of three buildings and 84 units, will comprise the 4 percent side and Lots 35 and 40, consisting of two buildings and 48 units, will comprise the 9 percent side. The buildings are three-story masonry and framed bearing wall structures with a poured concrete deck on steel joists at their first floors; and wood floor structure at the floors above. Partitions and interior bearing walls are wood framed above the first-floor slab. The buildings are faced with brick and have a combination of basements and crawlspaces. Basement floors are concrete slab on grade; crawlspace floors are bare earth.

The total combined unit mix of the development consists of three efficiencies, 39 one bedroom units, 36 two bedroom units, 30 three bedroom units and 24 four bedroom units. The property is currently unrestricted, however it will be restricted at 28 units at 30 percent Area Median Income ("AMI") or less, 78 units at 50 percent AMI or less, 14 units at 60 percent AMI or less and 12 units at 80 percent AMI or less. The property has elected "income averaging" for the 12 units restricted at 80 percent AMI. The average AMI level at the property is anticipated at 49 percent. Income averaging is a new minimum set aside that was added to the District of Columbia Qualified Allocation Plan ("QAP") in the June 2019.

The capital stack for the 4 percent LIHTC portion of the Development will consist of permanent financing in the approximate amount of $8,408,293 as a 50/50 risk share with DCHFA, a $12,743,055 DHCD HPTF loan, $5,964,505 in LIHTC equity, and a $691,458 deferred developer fee. The total development cost is $27,537,311 ($327,825/unit), inclusive of acquisition debt repayment, hard and soft costs, developer and financing fees, reserves and escrows.

The developer has applied for DHCD HPTF in the current Notice of Funding Availability ("NOFA") round for $12,743,055 in HPTF and $1,045,010 in 9 percent credits. The awards are expected to be announced in the spring 2020.

The $1,000,000 McKinney Act loan will finance a portion of the $18.07 million acquisition and pre-development costs. Approximately $614,238 of the McKinney Act loan will be used for acquisition funded at closing and $385,762 will be used to fund pre-development costs. The development team plans to contribute $1,070,878 in sponsor equity, split between Dantes Partners and H Street Community Development Corporation ("HSCDC") as well as obtain an acquisition loan of $16 million from Capital Impact Partners (Affordable Housing Preservation Fund). The $16 million will be split into two tranches, with a Community Development Financial Institution ("CDFI") lender to provide a senior bridge loan of $11 million and the DC Affordable Housing Preservation Fund to provide a subordinate loan of $5 million.

Cascade Park Community Partners, LLC will be the owner and borrowing entity ("Borrower") in the transaction. The 0.01% managing member and general partner will be Cascade Park Managing Partners LLC. Dantes Partners will be the 49% owner of the managing member and H Street Community Development Corporation will be the 51% managing member. At closing, Cascade Park Community Partners, LLC will admit a 99.99% tax credit investor member to facilitate the LIHTC equity investment.

The remaining members of the development team consist of Hooten Construction as the General Contractor, Banneker Ventures as the Construction Manager, Miner Feinstein Architects as the Architect and Faria Management as the Property Manager. Community of Hope will be the Permanent Supportive Housing ("PSH") services provider, United Planning Organization (UPO) and Community Preservation and Development Corporation Community Impact Strategies (CPDC CIS) will be the tenant services providers.

The net rents have been underwritten to the average of each unit type's rent based on the September 2019 rent roll plus a $100 increase. Upon construction completion and stabilization, a $100 premium will be added to the rents. However, a utility allowance ranging $65 to $110 for each unit type will be deducted to determine the net project rents which results in no rent increase for the four bedroom units and $5 to $35 rent increase for one bedroom, two bedroom and three bedroom units. These formulas will address concerns of rent shock to the existing residents. The property is currently 80 percent occupied and is expected to retain 70 percent of existing residents post-renovation. The PSH units are expected to take up the bulk of anticipated vacancies, with the remaining portion filled with new LIHTC tenants.

Ms. Camacho concluded the presentation, opened the floor for questions and introduced members from the development team present: Tobi Thomas, Sharif Mitchell and Corey Powell from Dantes Partners.

Mr. Green asked the development team about the project's relocation plan and scope of the renovation. Ms. Thomas responded stating that the plan is to conduct a tenants-in-place renovation and relocate tenants on site. Regarding the scope of the renovation Ms. Thomas explained that post-construction the project will have brand new interiors, HVAC systems, windows, and door replacements.

Mr. Irving inquired about the construction contingency amount. Ms. Thomas answered stating that the contingency is 15 percent. Finally, Mr. Jackson asked if there was a plan in the event the project is not awarded enough HPTF. Mr. Powell responded and stated that if the project is not awarded the amount needed, they have an opportunity to re-apply to attempt to procure the financing needed.

Mr. Green called for a motion to approve DCHFA Eligibility Resolution No. 2019-24 for Cascade Park Apartments and DCHFA Resolution No. 2019-14 (G) McKinney for Cascade Park Apartments. Mr. Jackson made a motion to approve the resolutions, and that motion was properly seconded by Mr. Irving.

Mr. Lee took a poll vote, both resolutions were unanimously approved.

VI. Consideration of DCHFA Eligibility Resolution No. 2019-25 for Spring Flats Family Apartments.

Ms. Camacho, Multifamily Loan Underwriter, presented the transaction to the Board. The MLNI underwriting staff recommends that the Agency's Board approve an inducement resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed $25,500,000 inclusive of the estimated $18,146,925 HUD 50/50 risk share permanent loan to finance a portion of the construction costs for Spring Flats Family, (the "Project" or the "Property"), a 87 unit mixed income apartment project. The risk share mortgage loan will be constrained to 85 percent stabilized Loan to Value ("LTV") and 1.15x amortizing debt service coverage ratio ("DSCR").

In August 2017, the Office of the Deputy Mayor for Panning and Economic Development ("DMPED") selected Victory Housing, Inc. ("VHI"), Brinshore Development, LLC ("Brinshore") and Banc of America CDC ("BOACDC") to redevelop the site at 1125 Spring Road NW, including the former Hebrew Homes and Paul Robeson school site. The site is located in the Petworth neighborhood in Ward 4, one block south of the Georgia Ave-Petworth Metro Station. The three phases of the re-development will be Spring Flats Family, Spring Flats Senior, and Spring Flats Townhomes. Spring Flats Family will consist of the new construction of 87 mixed-income affordable units, Spring Flats Senior will consist of the adaptive re-use of the historic Hebrew Home to create 88 affordable age-restricted (62+) units. Spring Flats Townhomes will consist of the new construction of ten mixed-income homeownership units.

The unit mix of the Spring Flats Family development will be 47 one bedroom units, 18 two bedroom units and 22 three bedroom units, totaling 87 units. The units will be restricted at 30 percent, 50 percent and 120 percent of AMI or less. In order to separate the market and workforce units, the sponsor is proposing a condominium (“condo”) structure. The LIHTC condo will be the master lease holder and the workforce condo will take a sub-lease from the master condo. The master lease structure is similar to the DCHFA execution at The Yards development.

The Development is a quarter of a mile from the Georgia Avenue-Petworth Metro Station in Ward 4. Property amenities will include a community room with a smartboard, fitness room, onsite property management office, 57-car parking garage and private outdoor space. The building will be certified Leadership in Energy and Environmental Design (“LEED”) Gold. Unit amenities will include kitchens with wood cabinets, dishwashers, disposals, baths with tubs or showers, individual washer/dryers, Luxury Vinyl Tile (“LVT”) flooring, Energy Star appliances and lighting, and wiring for communications and security.

The capital stack for the Project will consist of permanent financing in the approximate amount of $18,146,925 as a DCHFA risk-share first mortgage loan, a $10,732,658 DHCD HPTF loan, $8,387,739 in LIHTC equity, $1,750,000 BACDC preferred equity, $1,788,679 sponsor equity and $1,802,402 deferred developer fee. The total development cost is $42,608,403 ($489,752/unit), inclusive of hard and soft costs, developer and financing fees, reserves and escrows.

Spring Flats Family, LLC will be the owner and borrowing entity (“Borrower”) in the transaction. The 0.01 percent managing member and general partner is Spring Flats MD LLC and consists of Victory Housing, Inc. as the 51 percent managing member, Brinshore Development, LLC as a 44 percent member and Banc of America CDC as a 5 percent member. At closing, Spring Flats Family, LLC will admit a 99.99 percent tax credit investor member, Bank of America into the partnership to facilitate the LIHTC equity investment.

The sponsor has selected Bank of America as the LIHTC investor for the subject transaction. Bank of America or an affiliate will acquire a 99.99 percent ownership in the project and provide equity contributions equivalent of $1.00 per $1.00 per credit.

The remaining members of the development team consist of Hamel Builders as General Contractor, Wiencek + Associates as Architect, Habitat America as Property Manager and Catholic Charities as the PSH service provider.

Rents were underwritten to the max 50 percent LIHTC rents as well as the proposed 120 percent AMI rents. The subject’s 120 percent AMI rents represent an average 2 percent to 11 percent market advantage to the comparable rental properties. The maximum rent for a one bedroom at 120 percent AMI is $2,640 and $2,190 at 100 percent AMI. The one bedroom units are in effect underwritten at about 100 percent AMI rents.

The DCHA Housing Choice Voucher Program rents for the Columbia Heights submarket are designated at $2,648 for a one bedroom unit, which is about 17 percent higher than the underwritten market rents.

Ms. Camacho concluded her presentation and opened the floor to questions, she also introduced the following members from the development team: Richard Corley from DMPED, Leila Finucane from Victory Housing, Maurice Perry from Bank of America CDC, and David Brint from Brinshore.

Mr. Green asked the developers about the construction numbers, Mr. Perry explained that the construction numbers in terms of pricing and the construction drawings are fairly set, and there are permit-ready plans.

Mr. Green called for a motion on DCHFA Eligibility Resolution No. 2019-25 for Spring Flats Family Apartments. Mr. Jackson made a motion to approve the resolution; the motion was properly seconded by Mr. Irving.

Mr. Lee took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

VII. Consideration of DCHFA Eligibility Resolution No. 2019-26 for Spring Flats Senior Apartments.

Ms. Camacho, Multifamily Loan Underwriter presented the transaction to the Board. The MLNI underwriting staff recommends that the Agency's Board approve an inducement resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed $8,812,500 to finance a portion of the acquisition and construction costs for Spring Flats Senior, (the "Project" or the "Property"), an 88 unit affordable apartment project. The transaction will combine 9 percent and 4 percent LIHTCs commonly referred to as a "twinning" transaction. The 4 percent side of the development will contain 43 units, the 9 percent side will contain 45 units and the units will be on either side of one building.

In August 2017, DMPED selected VHI, Brinshore, and BOACDC to redevelop the site at 1125 Spring Road NW, including the former Hebrew Homes and Paul Robeson school site. The site is located in the Petworth neighborhood in Ward 4, a block south of the Georgia Ave-Petworth Metro Station. The three phases of the re-development will be Spring Flats Family, Spring Flats Senior, and Spring Flats Townhomes. Spring Flats Family will consist of the new construction 87 mixed-income affordable units, Spring Flats Senior will consist of the adaptive re-use of the historic Hebrew Home to create 88 affordable age-restricted (62+) units. Spring Flats

Townhomes will consist of the new construction of ten (10) mixed-income home-ownership units.

The unit mix of the Spring Flats Senior development will be 75 one bedroom units and 13 two bedroom units, totaling 88 units. The 4 percent side of the transaction will include 36 one bedroom units and seven two bedroom units for a total of 43 units. The units will be restricted at 30 percent, 50 percent and 60 percent of AMI or less. All the units will be age restricted at 62 years and older.

The Project is a quarter of a mile from the Georgia Avenue-Petworth Metro Station in Ward 4. Property amenities will include a community room with a smartboard, fitness room, onsite property management office, 57-car underground parking garage and private outdoor space. The building will be certified LEED Gold. Unit amenities will include kitchens with wood cabinets, dishwashers, disposals, baths with tubs or showers, individual washer/dryers, LVT flooring, Energy Star appliances and lighting, wiring for communications and security.

The capital stack for the 4 percent LIHTC portion of the Project will consist of permanent financing in the approximate amount of $7,050,000 as a HUD 221(d) 4 senior mortgage loan via Walker Dunlop, a $3,477,984 DHCD HPTF loan, $3,788,572 in LIHTC equity and $111,200 in deferred developer fee. The total development cost is $14,427,756 ($335,529/unit), inclusive of hard and soft costs, developer and financing fees, reserves and escrows.

Spring Flats Senior, LLC will be the owner and borrowing entity ("Borrower") in the transaction. The 0.01% managing member and general partner is Spring Flats MD LLC which consists of Victory Housing, Inc. as the 51% managing member, Brinshore Development, LLC as a 44% member and Banc of America CDC as a 5% member.

The sponsor has selected Boston Capital as the LIHTC investor for the subject transaction. National Housing Trust or an affiliate will acquire a 99.99 percent ownership in the project and provide equity contributions equivalent of $0.94 per $1.00 per credit.

The remaining members of the development team consist of Hamel Builders as General Contractor, Wiencek + Associates as Architect, Habitat America as Property Manager and Catholic Charities as the PSH service provider.

Rents were underwritten to maximum 50 percent AMI rents. Unfortunately, there were not any age restricted comparable properties in the immediate two mile radius. The underwriting team surveyed age restricted LIHTC comparable properties located three to five miles away. Many of the comparable property rents were held below maximum LIHTC rents due to mission driven operations or further restrictions on rent due to the HOME Investments Partnerships program funds. All reported full occupancies and long waitlists, indicating a strong demand for affordable senior apartments in the market. Spring Flats will enjoy both an excellent location and amenities in comparison to the comparable properties.

Ms. Camacho concluded her presentation and opened the floor to questions, she also introduced members of the development team present: Richard Corley from DMPED, Leila Finucane from Victory Housing, Maurice Perry from Bank of America CDC, and David Brint from Brinshore.

Mr. Green inquired about the difference in operating costs between the Spring Flats Family transaction and the Spring Flats Senior transaction. Mr. Brint responded stating that there typically are additional costs on family units since the building is generally larger. Mr. Green also asked if the development team had an easement agreement. Mr. Finucane responded confirming that there is an easement agreement executed for the project and an operating agreement that allows for both sides of the project to utilize the entire property.

Mr. Green called for a motion on DCHFA Eligibility Resolution No. 2019-26 for Spring Flats Senior Apartments. Mr. Jackson made a motion to approve the resolution; the motion was properly seconded by Mr. Irving.

Mr. Lee took a poll vote because the Agency is committing volume cap. The resolution was unanimously approved.

VIII. Other Business.

No other business was discussed.

IX. Executive Director's Report.

- November 18, 2019 is the swearing in ceremony for returning and new board members: Buwa Binitie, Stanley Jackson, Bryan "Scottie" Irving, and Heather Howard.
- The November 26, 2019 board meeting is cancelled and is rescheduled for November 19, 2019.
- The DCHFA holiday party is scheduled for December 6, 2019.
- The DC Council Performance Oversight Hearing for FY20 is scheduled for January 15, 2020, and the DC Council Budget Oversight Hearing for FY20 is scheduled for March 25, 2020.
- The Board member retreat will likely be held in January 2020.

X. Adjournment.

Mr. Irving made a motion to adjourn the meeting, that motion was properly seconded by Mr. Jackson.

Mr. Lee took a voice vote. The motion passed by a chorus of ayes.

The meeting was adjourned at 7:56 p.m.