DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
December 17, 2019
815 Florida Avenue, NW
Washington, DC 20001
4:30 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 4:33 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 Buwa Binitie.

II. Approval of the Minutes from the November 12, 2019 and November 19, 2019 board meetings.

A motion was made to approve the minutes from the November 12, 2019 and November 19, 2019 board meetings by Mr. Irving. The motion was properly seconded by Mr. Green.

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

Mr. Green disclosed to the Board that the organization that he works for, NHP Foundation has a transaction before the Board this evening. Mr. Green stated that though he does not stand to benefit personally, out of an abundance of caution he will recuse himself from any and all discussion related to and consideration of the Anacostia Gardens project.

III. Vote to close meeting to discuss Anacostia Gardens Apartments, Skyline Apartments, Urban Village Apartments Phase I, and the authorization of the Multifamily Housing Investment Platform (HIP) Pilot and approval of a Capital Contribution into the Multifamily HIP Pilot Program.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairman of the Board of Directors called for a motion 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 Anacostia Gardens, Skyline Apartments, Urban Village Apartments Phase 1, and the authorization of the Multifamily HIP Pilot Program and approval of a capital contribution into the Multifamily HIP Pilot Program. 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. Green. The motion passed by a chorus of ayes.

The meeting was closed at 4:37 p.m. and re-opened at 5:48 p.m.

DCHFA Board member Heather Howard joined the meeting at 5:49 p.m.

Mr. Green left the meeting and did not participate in any discussion or voting regarding the Anacostia Gardens Apartments transaction.

IV. Consideration of DCHFA Final Bond Resolution No. 2019-30 for Anacostia Gardens Apartments.

DCHFA Underwriter, Ksenia Camacho, presented the transaction to the Board and recommended that the Board approve a final bond resolution, authorizing the issuance of a tax-exempt note, in an amount not to exceed $16,426,861 to finance a portion of the cost of the acquisition and rehabilitation of the Anacostia Gardens project.

Ms. Camacho stated that 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 (the "COB"), which was the District of Columbia's plan of action to preserve affordable housing in the event that private activity bonds were discontinued by recent federal tax reform legislation. The transaction was re-induced on September 24, 2019 due to the passage of time between the COB and the proposed closing.

Ms. Camacho stated that NHP Foundation ("NHP") acquired this property in 2016 as a result of the Tenant Opportunity to Purchase Act ("TOPA") process. In 2015, the previous owner of the property, Norsol, Inc., decided to sell Anacostia Gardens, which triggered 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 selected NHP as developer and partner, and entered into an Assignment of Purchase and Sale Agreement and Tenant Purchase Rights and Development Agreement on February 15, 2016.

Ms. Camacho stated that Anacostia Gardens Owner, LLC (the "Borrower") is now coming in for approval of the final bond resolution for this project, and is getting prepared for a pre-closing for this transaction on January 6, 2020.

The unit mix of the development consists of 37 one bedroom units, 49 two bedroom units and 14 three bedroom units. Ninety-one units will be restricted to residents earning 60 percent of area median income ("AMI") or less, and nine units are restricted to residents earning 50 percent of AMI or less.

Ms. Camacho stated that the proposed scope of work for this project includes a new roof, a new security system including closed circuit television, as well as key fob access, kitchen cabinet replacement, and bath fixtures.

The capital stack for the development will consist of permanent financing in the approximate amount of $13,900,000 through the private placement of a tax-exempt note to Allianz Life Insurance Company of North America, a $9,850,000 Housing Production Trust Fund ("HPTF") loan, $8,063,345 in low income housing tax credit ("LIHTC") equity, and $1,254,741 in deferred developer fee.

As described above, the new owner and borrowing entity for the proposed transaction will be Anacostia Gardens Owner, LLC. The 0.01% managing member will be Anacostia Gardens GP LLC ("AGGP"). NHP will be the managing member of AGGP and own a 90% ownership interest in AGGP. AGTA will own a 10% interest in AGGP. NHP will be the guarantor for the transaction.

At closing, the Borrower will admit a 99.99% tax credit investor member, NHT Equity, LLC or its affiliate to facilitate the LIHTC equity investment. The remaining members of the development team consist of WCS Construction, LLC as the general contractor, Studio K Architecture as the architect, WinnResidential as the property manager and Operation Pathways as the tenant services provider.

Ms. Camacho concluded the presentation and introduced John Hoffer, a member of the development team from NHP. Mr. Hoffer stated that NHP, the tenants association and the community are all excited about the renovations to the property.

Ms. Camacho opened the floor for questions. There were no questions from the Board.

Mr. Binitie called for a motion to approve DCHFA Final Bond Resolution number 2019-30 for Anacostia Gardens Apartments. Mr. Irving made a motion to approve the resolution; that motion was properly seconded Ms. Howard.

Mr. Lee took a poll vote because the Agency is committing volume cap (Mr. Green was recused and did not vote). The resolution was approved.

V. Consideration of DCHFA Eligibility Resolution No. 2019-31 for Skyline Apartments.

Ksenia Camacho, Multifamily Loan Underwriter, presented the transaction to the Board. The MLNI underwriting staff recommends that the Agency's Board approve an inducement resolution for the issuance of tax-exempt and/or taxable bonds in an amount not to exceed $86,375,000, inclusive of taxable bonds in the amount of $20,000,000, to finance a portion of the costs to rehabilitate 398 units at Skyline Apartments (the "Development"), formerly known as Forest Ridge and The Vistas.

The project is currently covered by four project-based Section 8 Housing Assistance Payment ("HAP") contracts covering 381 units. The HAP contracts expire in April 2022, and are in the process of being extended through the U.S. Department of Housing and Urban Development's ("HUD") Mark-Up-to-Market ("MUTM") program. MUTM is a HUD program which involves changing the rental rates for expiring Section 8 properties to get them closer to market rents.

Ms. Camacho stated that the sponsors, Redwood Housing Realty LLC ("Redwood") and Belveron Partners, LLC, are purchasing the property, performing an extensive rehabilitation, and requesting that HUD conduct the MUTM.

Ms. Camacho stated that this deal is now being induced to preserve acquisition credits since the sponsors are currently utilizing pre-development money. Ms. Camacho stated that MLNI has been in touch with the sponsors about the timing of HUD's MUTM process. MLNI will be conducting an in-depth underwriting when the HUD approved rents come back to MLNI to review, and before returning to the Board for approval of the final bond resolution.

The unit mix of the Development consists of 24 one bedroom units, 203 two bedroom units, 163 three bedroom units and 8 four bedroom units. All of the units in the Development will be restricted to residents earning 60 percent of AMI or less.

The capital stack for the Development will consist of permanent financing in the approximate amount of $89,100,000 as a private placement of bonds with Citibank ($69.1 million in tax-exempt bonds and $20 million in taxable bonds), $49,167,813 in low income housing tax credit ("LIHTC") equity, $142,605 in deferred developer fee and $5,345,904 in interim income.

Skyline Apartments, LP will be the owner and borrowing entity (the "Borrower") in the transaction. The 0.001% general partner and managing member is Skyline Manager, LLC and consists of Redwood Housing, Inc. a non-profit organization supported by the National Foundation for Affordable Housing Solutions, Inc. (the "NFAHS"). The administrative general partner is Skyline Apartments Management, LLC, composed of Redwood as the 66.67% member and Belveron Partners Fund V JV, LLC as the 33.33% member. Redwood Housing Capital, LLC will be the guarantor for the transaction. At closing, the Borrower will admit a 99.99% tax credit investor member to facilitate the LIHTC investment.

Mr. Binitie asked Ms. Camacho when she anticipates HUD finishing the MUTM process. Ms. Camacho stated that the request for approval has been submitted to HUD, and that HUD has been informed that the closing for the project is scheduled for March. Ms. Camacho stated that MLNI is expecting feedback from HUD regarding the MUTM in February.

Ms. Camacho concluded her presentation and introduced members of the development team present: Ryan Fuson, Nick Boehm and Felipe Serpa from Redwood, Louis Harrison with Belveron, and Jason Goldblatt with the NFAHS.

Mr. Green asked the development team which Section 8 contract renewal program they are planning to utilize. Mr. Fuson stated that the Borrower will be exercising Option 1 under the HUD Section 8 Renewal Policy Guide, which is the MUTM.

Mr. Lee stated that since this is the development team's first project in the District of Columbia, the Agency will require that the development team work with a local partner. Mr. Fuson stated that the NFAHShas completed projects in the District of Columbia before, and they are a part of the development team. Mr. Fuson also stated that his team is a part of this transaction and will be acting as the managing general partner.

Mr. Binitie stated that the Board will make the requirement for local partner participation in the transaction a condition to the approval of the final bond resolution.

There were no further questions from the Board.

Mr. Binitie called for a motion to approve DCHFA Eligibility Resolution number 2019-31 for Skyline Apartments. Mr. Green made a motion to approve the resolution; that motion was properly seconded Ms. Irving.

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

VI. Consideration of DCHFA Eligibility Resolution No. 2019-32 for Urban Village Apartments Phase 1.

Kristin Chalmers, Senior Multifamily Loan Underwriter, presented the transaction to the Board. The MLNI underwriting staff recommends that the Agency's Board approve an inducement resolution for the issuance of tax-exempt bonds in an amount not to exceed $35,200,000 to finance a portion of the costs to acquire and rehabilitate 115 units at Urban Village Apartments Phase 1 (the "Development" or the "Property").

The project will be located in the Columbia Heights neighborhood of Ward 1. The Somerset Development Company ("Somerset"), in partnership with the Urban Village Tenant Association ("UVTA"), currently owns Urban Village Apartments, a 72-unit affordable garden-style complex.

After the compliance period for the existing low income housing tax credits for the Property expired in December 2017, Somerset and UVTA proposed to redevelop the site in partnership with Housing Up, a nonprofit affordable housing developer and Permanent Supportive Housing ("PSH") service provider.

The project site will be redeveloped in two phases. The subject transaction is in Phase 1. During Phase 1 the existing site will be demolished. Upon completion of Phase 1 of the Development an additional 43 affordable units will be provided, for a total of 115 affordable units at the Property.

The unit mix for the Development will consist of nine efficiency units, 31 one bedroom units, 51 two bedroom units, and 24 three bedroom units. Fourteen of those units will be PSH units, and will receive DC Local Rent Supplement Program vouchers.

All tenants will be relocated off-site during construction and will have the right to return upon construction completion. Housing Up will be providing case management services to PSH tenants, who will be referred by the DC Department of Behavioral Health through the coordinated entry system.

Upon completion the building structure will be a four-story wood construction over concrete slab. The general contractor for the project will be Whiting-Turner Contracting Company ("Whiting-Turner"). Whiting-Turner and the development team have selected Blueprint Robotics, Inc. ("Blueprint") as the primary subcontractor for the project.

The development team is currently projecting that Blueprint's budget will make up approximately 39 percent of hard costs. Since Blueprint consists of a large portion of the construction budget and a significant portion of the construction contract consists of construction of the wood framework offsite by non-District residents, the MLNI staff has consulted with the District of Columbia Department of Employment Services ("DOES") to understand the impact, if any, that construction of the framework offsite has on the project's compliance with the DOES First Source Employment Program ("First Source").

Ms. Chalmers stated that DOES has confirmed that because the framework is being built outside of the District of Columbia it will be treated as a product, and the work hours for constructing the framework will not be factored into the equation for First Source compliance.

Total development costs of the project are $56.2 million, or approximately $489,000 per unit. Rents are being underwritten to maximum program limits for DC Department of Housing and Community Development's HPTF program. Projected net operating income for the project is $1.4 million, which supports a permanent mortgage of $12.7 million, with an amortizing debt service coverage ratio of 1.22x.

With regard to the transaction structure, the project will be financed through the issuance of $28.2 million in short term and long term tax-exempt bonds.

The sponsor has not selected a construction or permanent lender at this time but is contemplating Fannie Mae MTEBS program, the Freddie Mac Tax Exempt Loan "TEL" program, and DCHFA's HUD Risk Share program.

Somerset and New Community Partners will serve as guarantors for the transaction. Other members of the development team include Eric Colbert & Associates as the architect, and Habitat America, LLC as the property manager.

Ms. Chalmers concluded her presentation and introduced members of the development team present: James Ruffing, James Campbell, Nancy Hooff, Patrick McAnaney and Anya Kamara and from Somerset; William Whitman from New Community Partners, partnering with Somerset, and Chapman Todd with Housing Up.

Mr. Binitie asked the development team why chose to depart from a traditional street build for this project, instead of using robotics. Mr. McAnaney stated that the biggest benefit to the developer is that they are performing a passive house build. A passive house is one which a comfortable interior climate can be maintained without active heating and cooling systems, primarily because of the inclusion of a layer of highly efficient insulation that wraps around the building framework. He stated that Blueprint has a long tradition of constructing passive houses Blueprint, he stated, can build all the insulation inside, thereby reducing coordination problems, considering all of the different subcontractors cycling in and out during construction with a traditional street build.

Mr. Binitie asked Mr. McAnaney what is the benefit to him as an owner, and what are the eventual benefits to the residents by building a passive house. Mr. McAnaney stated that the biggest benefit to the ownership is that they are building a project that is going to last for a long time in the age of climate change, and that they are assured that they will have a building that can adapt and can be resilient long-term for our residents and for the community overall.

Mr. McAnaney stated that the benefits to the residents are that they are going to have reduced utility bills and an increase in energy efficiency.

Mr. Binitie asked how coordination with PEPCO for all the tie-ins will work since they are using robotics. Mr. McAnaney stated that the development team anticipates that it will be the same process as a traditional build – PEPCO will perform the same on-site installation, including the tie-ins.

Ms. Howard asked about the process for inspections, and whether they remain the same or are there more or less than usual. Mr. McAnaney stated that the development team is considering conducting more of the inspections in the factory. There is some potential, he said for bringing the green building rater for passive house construction into the factory review the product as it is being manufactured. Mr. McAnaney stated that some of the raters will be able to perform some of the inspections in the factory, thereby creating a time savings. The in-house inspection process is a work in progress.

Mr. Green asked what holds all the insulation in place for shipping. Ms. Kamara explained that the insulation is closed in by two pieces of wood. Ms. Kamara offered to send a diagram to explain how it works.

Mr. Binitie asked whether a third party conducts inspections. Ms. Kamara stated that they are currently working to finalize the inspections process, but normally the development team uses a third party for inspections.

Ms. Kamara stated that the portion of the passive house that is includes all of the mechanicals, including the plumbing, is left open on the inside of the house. Once that portion of the house is on-site at the project, someone can perform the inspection. Ms. Kamara acknowledged that the founders of Blueprint had a number of issues with getting local authorities to come to the Blueprint factory in Baltimore to inspect. Mr. Whitman stated that the software that drives the Blueprint robotics system is called Revit, which will produce a completely integrated set of drawings to work with.

Mr. Binitie stated that there apparently must be very little room for error from a constructability standpoint. He asked who is leading the charge as far as that precision is concerned. Ms. Kamara stated that the development team is in close contact calls with the Blueprint team.

Mr. Binitie called for a motion to approve DCHFA Eligibility Resolution number 2019-32 for Urban Village Apartments Phase I. Mr. Green made a motion to approve the resolution; that motion was properly seconded by Ms. Howard.

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. 2019-16(G) regarding the authorization of the Multifamily HIP Pilot Program and Approving of a Capital Contribution into the Multifamily HIP Pilot Program in an Amount Not to Exceed $5,000,000.

Christopher Miller, DCHFA Senior Director of Housing Investments, presented the information to the Board and recommended that the Board approve a resolution regarding the authorization of the Multifamily HIP Pilot Program and the approval of a capital contribution into the Multifamily HIP Pilot Program in an amount not to exceed $5 million.

Mr. Miller stated that the Housing Investment Platform (“HIP”) program desires to provide equity capital to local developers for new construction and preservation of workforce rental housing units. Mr. Miller stated the pilot will focus on small buildings, which the Agency has defined as five to 50 units, and will also focus on producing housing units targeted to families earning from 60 to 120 percent of AMI or less.

HIP will utilize an initial capital allocation from the Agency in an amount not to exceed $5 million for the multifamily pilot. Mr. Miller stated that investments will leverage DCHFA’s knowledge base and expertise in multifamily underwriting and in asset management to manage risk.

Mr. Binitie asked Mr. Miller to briefly describe the Agency's accomplishments to date with respect to the HIP Program. Mr. Miller stated that the Agency established HIP in 2017 with an initial $5 million commitment from the Agency, to invest alongside developers to create for-sale workforce housing. Mr. Miller stated that the Agency currently has approximately 100 units under development. The Agency has invested $1.5 million in projects, Mr. Miller stated, with a total development cost of about $10.5 million. The Agency has financed an additional $1.7 million in predevelopment fund for homeownership through the McKinney Act loan program as well.

Mr. Lee asked Mr. Miller what segment of the population the Agency has sold homes to through the existing HIP program. Mr. Miller stated that the Agency has sold a multitude of units, and has some sales in the pipeline to District of Columbia public school teachers, as well as police officers and firefighters. Mr. Miller stated that this program has been very popular with teachers, and because they are already working in the community, they prefer living in the community as well.

Mr. Binitie asked Mr. Miller if he thinks he is going to be able to expend the full $5 million on this new multifamily pilot program. Mr. Miller stated that the Agency has financed a large quantity of projects. Currently, the Agency is searching for the right project that would require a significant amount of capital.

Mr. Binitie called for a motion to approve DCHFA Eligibility Resolution number 2019-16(G) regarding the authorization of the Multifamily HIP Pilot Program and approval of a capital contribution in the amount not to exceed $5 million to initially capitalize the program. Mr. Green made a motion to approve the resolution; that motion was properly seconded Ms. Howard.

Mr. Lee suggested that the Board take a poll vote. The resolution was unanimously approved.

VIII. Executive Director's Report.

- Mr. Lee reported that the Agency was very successful in CY 2019, and is in the midst of wrapping up its FY 2019 audit report.
- Mr. Lee noted that from a production standpoint, the Agency financed its first affordable senior assisted living project in Ward 8. Mr. Lee stated his appreciation for the staff and their accomplishments in 2019.

IX. Other Business.

Vote to close meeting to discuss DCHFA Resolution number 2019-17(G) regarding the extension of the Contract of the Executive Director/CEO and Secretary to the Board.

Pursuant to the District of Columbia Administrative Procedure Act, I will now call a vote to close the meeting in order to discuss DCHFA Resolution number 2019-17(G) regarding the extension of the Contract of the Executive Director/CEO and Secretary to the Board because an open meeting would adversely affect personnel matters related to the Agency. (D.C. Code §2-575(b)(10)).

A motion was made to close the meeting by Mr. Green. The motion was properly seconded by Ms. Howard. The motion passed by a chorus of ayes.

The meeting was closed at 6:39 p.m. and re-opened at 6:45 p.m.

Mr. Binitie called for a motion to approve DCHFA Resolution 2019-17(G) regarding the extension of the Contract of the Executive Director/CEO and Secretary to the Board, thus extending Todd A. Lee's contract for the next four years. Mr. Green made a motion to approve the resolution; that motion was properly seconded by Ms. Howard.

Mr. Binitie called for a roll call vote. The resolution was unanimously approved.

X. Adjournment.

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 6:52 p.m.

Submitted by Christopher E. Donald, Interim Secretary to the Board of Directors on February 7, 2020.

Approved by the Board of Directors on February 11, 2020.