

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

**September 11, 2018
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.**

Minutes

I. Call to order and verification of quorum.

DCHFA Board Member Mr. Buwa Binitie, called the meeting to order at 5:39 p.m. and asked the Secretary to the Board, Mr. Todd Lee to verify a quorum. With five members present, the Board of Directors had a quorum, and the meeting continued.

The following members were present at roll call: Bryan “Scottie” Irving, Stanley Jackson, Sheila Miller (telephonically), Stephen Green, Buwa Binitie.

II. Approval of the Minutes from the August 28, 2018 Board Meeting.

A motion was made to approve the minutes from the August 28, 2018 Board Meeting by Mr. Jackson. The motion was properly seconded by Ms. Miller.

The motion passed by a chorus of ayes.

III. Vote to close the meeting to discuss an Eligibility Resolution for Providence Place, Final Bond Resolution for the residences at St. Elizabeth East, McKinney Act Loan associated with the Minnesota and 27th Street SE condominiums, and transfer of interest in the project known as the Guild, formerly The Yards Parcel O2 Project, to Forest Hills controlling entities.

Mr. Jackson recused himself from the discussion on the Final Bond Resolution for the Residences at St. Elizabeth East. He stated for the record that he has a direct interest in the project, both as a co-developer and an entity of interest. Mr. Jackson left the meeting during the discussion and vote on the transaction.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson 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 **an Eligibility Resolution for Providence Place, Final Bond Resolution for the residences at St. Elizabeths East, McKinney Act Loan associated with the Minnesota and 27th Street SE condominiums, and transfer of interest in the project known as the Guild, formerly The Yards Parcel O2 Project, to Forest Hills controlling entities.**

An open meeting would adversely affect the bargaining position or negotiation strategy of the public body.

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

The meeting was closed by unanimous consent at 5:41 p.m. and resumed at 7:20 p.m.

IV. Consideration of DCHFA Final Bond Resolution No. 2018-13 for The Residences at St. Elizabeth East.

DCHFA Underwriter, Calvin Jones, presented the transaction and information to the Board.

Good evening Mr. Secretary, Mr. Chairman and members of the Board. Tonight I am presenting my recommendation to the Board to approve the final buy resolution in the amount not to exceed \$65.5 million dollars to finance a portion of the cost to acquire and substantially rehabilitate the residences at St. Elizabeth East. The Residences at St. Elizabeth East is a proposed conversion of the former the St. Elizabeth Hospital and the new development will consist of an apartment community located in SE Washington D.C.

The subject property's income mix will be comprised of 20% market-rate units while the remaining 80% of the units will be restricted to residents earning up to 50% AMI. The proposed unit mix will consist of 10 studios, 110 one-bedrooms, 44 two-bedroom units and 88 three-bedroom units. Thirteen of the project's total units will benefit from a 20-year LRSP contract. The development team for this transaction will be Anacostia Economic Development Corporation and Flaherty & Collins Construction Inc. as the GC, Cunningham and Quill as the architect, Flaherty & Collins being as the property manager. The proposed permanent financial capital stack will consist of \$24.2 million from R4, an estimated \$28.7 million in DHCD financing, an estimated \$25.6 million LIHTC Equity, an estimated \$15.6 million in historic tax credits, \$2.5 million in a sponsor's note, and an estimated \$3.9 million in deferred developer fee.

The following Developers for the transaction were present and introduced themselves:

Bill Hage, Anacostia Economic Development Corporation

Dennis Miller, Senior VP Flaherty & Collins Properties, and OPI

Mr. Binitie called for a motion to approve DCHFA Final Bond Resolution No. 2018-13 for The Residences at St. Elizabeth East.

A motion to approve the resolution was made by Mr. Green and seconded by Mr. Irving.

Mr. Lee called for a roll call vote:

Mr. Jackson – Abstained from vote, not present

Mr. Green – Yes

Mr. Irving – Yes

Ms. Miller – Yes

Mr. Binite – Yes

The resolution was approved by unanimous consent.

V. Consideration of DCHFA Resolution No. 2018-16(G) regarding Transfers of Interests in the Project Known as The Guild (Formerly the Yards Parcel O2 Project) to Forest City Controlled Entities.

Secretary to the Board, Mr. Todd Lee presented the following to the Board.

“When Parcel O2 was presented and approved the deal contemplated a transfer once it was either substantially or fully developed. The sponsor of the project is Forest City. At this time the primary sponsor Forest City has identified a 1031 exchange opportunity that will facilitate the transfer that was contemplated. The reason that we’re back here now is because although the transfer was contemplated, the mechanics of the transfer were at that time to be determined, and we are here now in order to get approval from this board for the mechanics of the transfer so that a detailed bond resolution can be drafted and bond counsel can, based on that resolution, render an opinion.

The first transfer is going to occur before the end of the fiscal year and it will be facilitated by a 50 percent TIC interest being transferred to an entity that sold a retail property in Brooklyn in April of 2017, which is why they have a need to execute on the 1031 exchange in short order. The second transfer will occur probably in the spring of 2019. They have a property under contract that is located in New Mexico---it’s an office building. Once that property is sold, the remaining 50 percent of the Forest City Parcel O2 will be transferred through the sale of the remaining membership interest in our borrower right now. The owner of the bonds, the City, will end up at the end of the day with two co-borrowers, one that owns TIC interest and the other that owns the remaining 50 percent ownership interest in our current entity. Those are the mechanics of the transfer and so we’re asking that this Board approve of that transfer.”

Karen Travers-Rakes, VP of Finance from Forest City was present, introduced herself to the board and added the following for the record:

“When we lined up the 1031 exchanges with the costs and the debt for the properties that we were selling, we realized that it would be more efficient to have the exchanges if we did them as TIC interests in order to best line up the costs. So we had always anticipated doing a 1031 exchange, we just had anticipated doing one TIC in exchange, instead of two TIC interests. So we’ve identified the two projects. One of them did sell as Mr. Lee said, in April of 2018 and so we have our six months to effect the change. So that’s why there’s a bit of an urgency to make sure we’re okay to finish the 1031 exchange. The remaining TIC interest will be transferred after our New Mexico office building sells. We’re thinking late 2018, early 2019.”

Mr. Binitie asked if the Board will have to re-approve the transfer when the acquisition is finalized with Brookfield. Ms. Travers-Rake replied “no”, that the DCHFA approval should be done before the Brookfield acquisition is finalized. The only outstanding matter will be DCHFA providing consent regarding the merger and acquisition.

Mr. Irving asked if the bill will come back before the Board for a consent approval. Mr. Lee replied that Forest City will submit a consent request, and those matters will come back before the Board because the Agency will have to execute consents.

Mr. Binitie called for a motion to approve DCHFA Resolution No. 2018-16(G) regarding Transfers of Interests in the Project Known as The Guild (Formerly the Yards Parcel O2 Project) to Forest City Controlled Entities.

A motion to approve the resolution was made by Mr. Jackson and seconded by Mr. Irving.

Mr. Lee called for a voice vote. A Chorus of ayes followed from the members, and the resolution was approved by unanimous consent.

VI. Consideration of DCHFA Eligibility Resolution No. 2018-12 for Providence Place

DCHFA SVP, Multifamily Lending & Neighborhood Investments, Christopher Donald, presented the Providence Place transaction and information to the Board.

Mr. Donald presented the following to the Board:

Providence Place is a proposed 93-unit new construction development in the Deanwood neighborhood. Providence Place is part of the larger New Communities redevelopment plan and will provide 35 replacement units for the Lincoln Heights and Richardson Dwellings DC Housing Authority property.

The project construction will consist of light gauge steel above a concrete podium. There will be 52 one-bedrooms, 31 two-bedrooms and 7 three-bedroom units. Thirty-five of the units will receive an LRSP subsidy and be reserved for residents from the Lincoln Heights project. The total development cost of the project will be approximately \$35.4 million, or \$380,000 per unit, funded with a permanent \$10.6 million M-TEB loan from Wells Fargo, a \$9.5 million New Communities loan, \$12.8 million of LIHTC equity, and a \$2.5 million deferred fee. The senior loan has been underwritten to a 1.15x debt service coverage and priced at 5.4 percent which is inclusive of the Agency's 40 basis point bond administration fee. The loan is structured as a 15-year balloon with a 35-year amortization period. The construction loan for the project will be in the amount of \$20.4 million from Wells Fargo, priced at 180 basis points, over a 30-day LIBOR which today is 3.92 percent.

The term of the construction loan is 30 months with one six-month extension available. The project will be a ground lease with The Progressive National Baptist Convention as the lessor to the development entity. The ground lease will be for a 99-year period and the initial payment will be based upon the appraised value of the project. The sponsorship of this development will be Atlantic Pacific Companies as a principal partner, the Progressive National Baptist Convention, and UrbanMatters Development Partners which consists of Raymond Nix and the Washington Interfaith Network.

Based upon the team's review, the MLNI group recommends approving the eligibility resolution proposed here this evening. We will now have members of the development team introduce themselves, and take questions.

Representatives from the development team included:

Angie Rodgers, Director of DMPED New Communities Initiative

Ray Nix, Managing Partner and Chief Executive of Urban Matters Development Partners

Scott Kreugel, Atlantic Pacific Communities

Keith Keys, Progressive National Baptist Convention Community Development Corporation

Harrison Wyatts, Sr., Vice Chairman of the Board for the Progressive National Baptist Convention

Mr. Binitie asked the following questions directed at the development team: what is the status generally of the transaction right now? How far deep are you into the development and what's your closing time frame? Mr. Kreugel replied with the following: "We're about two weeks from submission for permits from DCRA...so we're looking at mid-December to early January close, depending on how the permits unfold. We're partnering with Wells Fargo on the debt and equity side." Ms. Rodgers added that, "the District has provided a \$9.5 million dollar financing agreement to the development team...so we'll continue to disbursing on that agreement."

Mr. Binitie also asked about LRSP functioning with the New Communities Initiative. Ms. Rodgers explained that DMPED requested that the Mayor include a number of LRSP project based vouchers for New Communities projects in the FY19 Budget, beginning October 1, 2018.

Mr. Binitie called for a vote on the resolution. Mr. Jackson made a motion to approve DCHFA Resolution No. 2018-12 for Providence Place, it was properly seconded by Mr. Irving.

Mr. Lee called for a roll call vote:

Mr. Binitie – Yes

Mr. Jackson – Yes

Ms. Miller – Yes

Mr. Irving – Yes

Mr. Green – Absent

The resolution was approved by unanimous consent.

VII. Consideration of DCHFA Resolution 2018-14(G) regarding a McKinney Act Loan Associated with the Minnesota & 27th Street SE Condominiums transaction.

DCHFA Director of Housing Investments, Christopher Miller, presented The Minnesota & 27th Street SE Condominiums transaction and information to the Board.

The project is a DHCD PADD awarded site that was awarded to Neighborhood Development Company, a company that specializes in residential development in the District. Eighteen of the units will be for-sale housing, 15 at 50 percent AMI, 6 at 60 percent AMI and 8 market-rate units. Two studios, two three-bedrooms and two four-bedroom condo units will comprise the project. Sales prices for the 50 percent AMI unit are anticipated to be between \$109,000 and \$134,000, for the 60 percent AMI unit, between \$180,000 and \$450,000 and \$480,000 for the market-rate units. The project will be built to a higher quality design than many of the current condominiums in the market. The architect is Moss Architects, a shop out of New York. One of the principals of Moss Architects is a professor at Columbia and the other is a professor at Princeton.

The project is in the Twinning neighborhood between 11th Street and the Sousa Bridge. The neighborhood is directly adjacent to Anacostia. Total development costs are \$11.9 million with construction costs at \$7.7 million. Total sales from the units are expected to be \$6.3 million. The project has been awarded \$5.8 million dollars of HPTF, outside of the traditional work-around.

The HPTF funds will be allocated to the purchasers once the project is built as a second deed of trust with 15 year covenant. The McKinney Act is to support the pre-development in order to get the project to construction and HPTF close. The pre-development budget includes \$827,000 in soft costs and \$172,000 in financing fees. The soft costs associated with the project are architecture, engineering, insurance, taxes, permitting, testing, and inspections, \$465,000 in utility connection fees, and recordation tax.

In addition to the McKinney Act loan, the pre-development costs will be supported by a loan from LISC for \$686,000 and \$152,000 of sponsor's equity. Neighborhood Development Company and Adrian Washington will serve as guarantors. Repayment of the McKinney will come via HPTF and construction financing closing. The McKinney Act loan will have a two-year term. The anticipated interest rate is 5.07% as of this Monday. The anticipated repayment timeline is within 6 months. Mr. Adrian Washington then prepared to answer questions from the Board.

Mr. Binitie asked Mr. Washington about the HPTF aspect of the transaction. Mr. Washington responded stating, "Essentially the LISC money comes in as part of the project. The HPTF money comes in a separate trust to the project but its design and so it can be split up to the buyers of the condos. So you portion the HPTF money to the condos, essentially they get new first-trust, any kind of homeowner will, and then HPTF gets a portion of the condos, they have essentially soft second. So it starts out as a loss to the developer but then when buyers buy it becomes loans and individual buyers."

Mr. Binitie called for a vote. Mr. Jackson made a motion to approve DCHFA Resolution 2018-14(G) regarding a McKinney Act Loan Associated with the Minnesota & 27th Street SE Condominiums transaction, the motion was seconded by Ms. Miller.

Mr. Lee called for a roll call vote:

Mr. Binitie – Yes
Mr. Jackson – Yes
Ms. Miller – Yes
Mr. Irving – Yes
Mr. Green – Absent

VIII. Executive Director's Report.

- The DCHFA Budget will come before the Board at the September 25, 2018 Board Meeting.
- Board Meeting Schedule – It is likely that there will be one Board Meeting in November and one in December.

IX. Other Business

X. Adjournment

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 8:18 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on September 21, 2018.

Approved by the Board of Directors on September 25, 2018.