

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

October 9, 2018

815 Florida Avenue, NW

Washington, DC 20001

5:30 p.m.

Minutes

I. Call to order and verification of quorum.

DCHFA Board Chair Mr. Buwa Binitie, called the meeting to order at 5:43 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: Buwa Binitie, Bryan “Scottie” Irving (telephonically), Stanley Jackson, Sheila Miller, and Vice-Chair Stephen Green.

II. Approval of the Minutes from the September 25, 2018 Board Meeting.

A motion was made to approve the minutes from the September 25, 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 meeting to discuss an Initial Credit Review for Stanton Square, a contract renewal with Goldblatt Martin Pozen, a Pre-Qualified Legal Services Slate, and a Pre-Qualified Slate of Bond Underwriters and Investment Banking Services for Assisted Living Debt Financings.

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 an **Initial Credit Review for the Stanton Square transaction, a contract renewal with Goldblatt Martin Pozen, a Pre-Qualified Legal Services Slate, and a Pre-Qualified Slate of Bond Underwriters and Investment Banking Services for Assisted Living Debt Financings.** An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

A Motion was made by Mr. Green, seconded by Ms. Miller and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:47pm, and resumed at 6:50pm.

IV. Initial Credit Review – Stanton Square

DCHFA Underwriter, Ugonna Duru, presented the transaction and information to the Board.

The Multi-Family Lending and Neighborhood Investment (“MLNI”) Underwriting staff recommends that Board approve an Initial Credit Review of the authorization to issue tax exempt bonds in an amount not to exceed \$25,668,750 to finance a portion of the new construction of Stanton Square Apartments. The Board approved an 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 bond option (“COB”), which was the District's plan of action to preserve affordable housing. Stanton Square was included in the resolution for this inducement.

Stanton Square Apartments is a proposed 121-unit affordable housing development in the Anacostia neighborhood in Washington, D.C. The capital stack for this development will consist of permanent financing in the amount of \$8.1 million, \$17.6 million in Housing Production Trust Funds, \$16.7 million in LIHTC equity, \$2.5 million deferred developer fee, and \$1.8 million as a seller loan note. The total estimated development cost of the project is \$46.9 million, or approximately \$387,000 per unit. Stanton Housing, LLC is the borrowing entity. The construction loan for the development will be provided by JPMorgan Chase in the approximate amount of \$22.1 million in proceeds. Sunrise Development, which will be the sponsor developer and guarantor for the transaction, will provide full unconditional guarantees of completion and repayment for the construction loan. A portion of the construction loan, approximately \$14 million, will be repaid by tax credit equity and the HPTF loan at loan conversion. National Equity Fund will be the tax credit investment member and will purchase a 99.99 percent ownership interest in the project and provide equity contributions to the transaction. The projected total equity investment amount is \$16.7 million.

Given that this project will be a new development with competitive amenities including parking and in-unit washers and dryers and 50 percent area median income rents, the proposed development is expected to lease and perform well, and that concludes our presentation.

Ms. Duru introduced representatives from the development team, Sarra Mohamed, Pam Askew, Alison Ritz, and Xavier Rathlev.

Mr. Irving commended the Developer’s minority employee participation, which is at 60% and asked how many of those minorities were women. Ms. Mohamed listed a number of women of color who were in executive positions within W.C. Smith.

Mr. Irving asked about the average tenure of W.C. Smith employees. Ms. Askew responded that they have a large number of employees who have been with the company for over 10

years and at one point, W.C. Smith was the largest private employer in Ward 8. She stated that W.C. Smith is committed to hiring people who live in the community to serve that community.

Binitie asked the Board Members if they had any questions, there were none.

Mr. Green also noted for the record that he recommends the development team, with respect to their minority hiring goals, not rely just on the contractor and to incorporate professional expertise from the minority business community in their development team.

Mr. Vincent responded stating:

I very much appreciate that comment. We have hired Loretta Caldwell & Associates, and she is now part of our team. And that contract has two pieces: One is on compliance monitoring, both for the contractor as well as for the sponsor. And additionally we've asked them to assist us in outreach for suppliers, subs and workforce with a focus on companies located in Ward 8, and then Ward 7 as a secondary priority. And so they have a lot of experience and we're really looking forward to having them on our team to help push up some of the minority hiring beyond just the obligations under the contract with the GC.

Mr. Irving asked a follow up question to Mr. Vincent on whether the transaction had a minority equity partner?

Mr. Vincent responded stating that there is a small development partner, Washington Business Group, a Ward 8 developer.

No further action was required by the Board.

V. Consideration of DCHFA Resolution No. 2018-18(G) regarding the ratification of a contract renewal with Goldblatt Martin Pozen.

Mr. Michael Hentrel, DCHFA General Counsel presented the following to the Board.

Mr. Hentrel requested that the Board ratify its prior decision on the contract renewal for Goldblatt Martin & Pozen. At the last meeting the Board previously voted and we're respectfully requesting that the Board ratify its previous approval.

Mr. Binitie called for a Motion on the Resolution. Mr. Jackson made a motion to approve DCHFA Resolution No. 2018-18(G) regarding the ratification of a contract renewal with Goldblatt Martin Pozen, that motion was properly seconded by Mr. Green.

The motion was approved by a chorus of Ayes.

VI. Consideration of DCHFA Resolution No. 2018-19(G) for the approval of the Pre-Qualified Legal Services Slate.

Ms. Keami Estep, Procurement Manager presented the following to the Board.

Mr. Chairman, members of the Board, I am here giving my recommendation to award for the Agency's Pre-qualified Slate for Legal Services.

In July of 2018 the Agency initiated competitive procurement and requested Requests for Qualifications (“RFQ”) from area funds in response to nine categories which will be included under our legal services slate, which include bond counsel, issuers counsel, business organizations, affordable housing, labor and employment, litigation, tax, procurement and real estate. The Agency's procurement was initiated in July, and August 3, 2018 we received questions in response to the Agency's RFQ. Those questions were responded and posted to the Agency's website and also emailed back to the submitters on August 8, 2018. Proposals were received in response to this RFQ on August 17, 2018.

The Agency received a total of 17 proposals in response to this RFQ. Out of the 17 proposals received 2 were identified as certified DSLBD, CBE, and SBE firms, which were Leftwich, LLC and Tiber Hudson. We did have one firm, Baker & Associates, whose CBE application is still pending approval with DSLBD and the anticipated award by the end of this calendar year.

The Evaluation Committee was comprised of three Agency staff members from the Office of General Counsel Team (“OGC”). The Evaluation Committee meeting was held mid-September of 2018 and through those evaluations of the qualification statements the Evaluation Committee determined that 15 of those firms did meet the qualifications as outlined in the RFQ and would be able to support the Agency under at least one of the nine categories that were listed in the RFP. In an effort to consolidate the current pre-qualified slate the Evaluation Committee combined the bond counsel and issuer counsel categories into one. Through the streamlining the Agency took a total of 27 firms down to approximately 5 firms under each category.

Mr. Binitie called for a vote on DCHFA Resolution No. 2018-19(G) for the approval of the pre-qualified legal services slate.

Mr. Green made a motion to approve the Resolution, which was seconded by Mr. Jackson.

The motion was approved by a chorus of Ayes.

VII. Consideration of DCHFA Resolution No. 2018-20(G) for the approval of the Pre-Qualified Slate of Bond Underwriters and Investment Banking Services for Assisted Living Debt Financings.

Ms. Keami Estep, Procurement Manager presented the following to the Board.

In February of 2018 we initiated and the Board approved our new Bond Underwriters and Investment Banker Slate. Throughout the course of the year the Agency identified an

additional need for bond underwriters and investment bankers specifically for assisted living debt financing.

We initiated the competitive procurement in September of 2018. Proposals were received and submitted in September 2018. We received one proposal in response to this RFP. The Evaluation Committee evaluated that proposal and identified they were qualified to meet the requirements that we identified in the RFP. We request approval to award Piper Jaffray & Co. as the first firm under our new category of Bond Underwriters and Investment Bankers under the Assisted Living Debt Financing category.

Mr. Binitie called for a vote for Resolution No. 2018-20(G) for the approval of the pre-qualified slate of Bond Underwriters and Investment Banking Services for Assisted Living Debt Financing.

Mr. Green made a motion to approve the Resolution, and it was seconded by Mr. Jackson.

The motion was approved by a chorus of Ayes.

VIII. Other Business- FY2019 Loan Loss Reserve

Mr. Ted Blake, DCHFA CFO presented the FY19 Loan Loss Reserve to the Board.

The agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectability and prior loss experience as well as a competitive benchmarking study.

Future enhancements to this process will include Portfolio Asset Management running a periodic Portfolio Risk Review meeting which will identify any properties needing a specific reserve.

DCHFA's loan loss reserve is based on a combination of our experience as well as available third party benchmarks. Our historical performance within multi-family lending has been a consistent low delinquency coupled with lower impairment concerns and 1 loan that has gone through recovery ultimately to a successful outcome. High level third party benchmarks suggest a loan loss reserve rate of no more than 9bps.

2019 Budget Loan Loss Expense:

- \$107,000 for Multi-Family new loans [initial reserves at 10bps]
- \$55,000 for McKinney loans [offset to accumulated interest and fees on defaulted loans during FY19]
- \$986,000 for Single Family [no loans are held on balance sheet; this is the cost of Down Payment Assistance (DPA)]

A discussion about the Loan Loss Reserve commenced and Mr. Blake and Mr. Lee answered various questions from the Board about the presentation.

IX. Executive Director’s Report

- The Agency issued \$75 million of bonds to the public, with the proceeds of that issuance the Agency closed on Capitol Vista and Delta Towers.
- Agency staff will be participating in the National Conference of State Housing Agencies (“NCSHA”) Conference in Austin, Texas. Mr. Miller will be presenting on the HIP program.
- Groundbreaking for 51st and E Street SE – 15 workforce townhomes.

X. Vote to close meeting to consult with an attorney.

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 consult with an attorney, to obtain legal advice and to preserve the attorney-client privilege between an attorney and a public body, or to approve settlement agreements; provided, that, upon request, the public body may decide to waive the privilege. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(4)(A)).

Mr. Jackson made a motion to close the meeting, and Ms. Miller seconded.

The meeting was closed at 7:24pm and resumed at 7:33pm.

XI. Adjournment

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:33 p.m.

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

Approved by the Board of Directors on November 27, 2018.