DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING

May 23, 2017
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum

The Chairman, Mr. Buwa Binitie, called the meeting to order at 5:33 p.m. and asked the Secretary to the Board of Directors, Mr. Todd A. Lee, to verify a quorum. With five members present, the Board of Directors (the "Board") had a quorum, and the meeting continued. The following members were present at roll call: Buwa Binitie, Sheila Miller, Bryan "Scottie" Irving, Stanley Jackson (who initially participated telephonically, but physically joined after commencement), and Stephen Green (who participated telephonically).

II. Approval of the Minutes from the April 25, 2017 Board Meeting

A motion to approve the minutes from the meeting of April, 25 2017 as distributed was made by Mr. Jackson and seconded by Ms. Miller. The minutes were approved by a chorus of ayes.

III. Adoption of a Modified Agenda

Mr. Lee requested a modification of the Agenda, which split discussion of the Housing Investment Platform and the Single Family Pilot into two distinct portions. A motion to approve the new Agenda was made by Ms. Miller and seconded by Mr. Irving. The motion passed with a chorus of ayes.

IV. Vote to close meeting to discuss the approval of the SOME Spring Road transaction, the 1164 Bladensburg NE Apartments transaction, and a McKinney Act Loan associated with the 218 Vine Street NW transaction

Pursuant to the District of Columbia Administrative Procedure Act, Mr. Binitie called for a vote to close the meeting in order to establish, discuss or instruct the Agency as a public body, its staff or negotiating agents concerning a position to be taken in negotiating the price or other material terms of the SOME Spring Road transaction, 1164 Bladensburg Road NE, Apartment transaction, and a McKinney Act Loan associated with the 218 Vine Street transaction.

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 at 5:41 p.m. and resumed at 7:12 p.m. Board member, Stanley Jackson arrived during the closed session.

After establishing that the SOME transaction would be presented first, Mr. Binitie called for a short recess.

The meeting was closed at 7:12 p.m. and resumed at 7:16 p.m.

V. Consideration of DCHFA Final Authorizing Resolution No. 2017-08 for SOME Spring Road

DCHFA Development Analyst, Mr. Bobvala Tengen presented the following information to the Board:

The principal developer of the project and property management agent is SOME, Inc.

Additional members of the development team include Eichberg Construction and HSU Development as the general contractor, and Miner Feinstein as the architect of record for the project

The Project is located at 1433& 1435 Spring Road in the Columbia Heights neighborhood of Washington, DC and will consist of the acquisition, rehabilitation and construction of two mid-rise buildings which currently consist of 30 units.

Upon completion of rehabilitation and construction, the project will consist of 37 units. The total Project development cost will be approximately $19.38 million (approximately $524,000 per unit).

VI. Financing

The total project development cost will be approximately $19.38 million and will be financed with short and long term tax exempt obligations, a subordinate loan from the DC Department of Housing and Community Development (DHCD), a subordinate loan from the Department of Behavioral Health (DBH), LIHTC equity, and a sponsor loan and deferred developer fee.

The long term financing, will be funded from the proceeds of the issuance of tax exempt obligations. Citi Community Capital, the construction-to-permanent lender, will purchase both the short and long term obligations in a private placement transaction.

The investor, National Equity Fund, is anticipated to purchase tax credits at a rate of 0.9625 per $1.00 of credit, yielding an Low Income Housing Tax Credit (LIHTC) equity contribution of $6.68 million

The total capital stack is as follows:

- $4.1 million in short term DCHFA tax exempt obligations
- $6.1 million in long term DCHFA tax exempt obligations
- $6.19 million in equity raised through the syndication of LIHTCs
- $4.9 million and $84,000 in subordinate debt from DHCD and DBH respectively
- $1.62 million in deferred developer fee
- Sponsor Loan $488,556
- Managing Member Contribution $100
- On the operating side, 36 of the 37 units will be subsidized by Local Rent Supplement Program (LRSP)

Program

The Bedroom mix is as follows:

- 1 efficiency unit reserved for the night property manager which will not produce income and is not receiving any subsidy
- 18 one bedroom units
- 18 two bedroom units
- Total of 37 Units

The complex will feature a community room which will allow SOME to provide an array of tenant services and a playground.

The sponsor has elected to set aside a minimum of 40% of the units at the 60% AMI Level.

100% of the income generating units will be set aside at 30% AMI Level per the terms of the LRSP agreement.

Construction

Construction period is estimated to be 15 months.

The Agency anticipated closing on this transaction on May 9, 2017. DHCD's Council approval was received April 23, 2017. Citi Credit Committee Approval was expected on April 26, 2017.

National Equity Fund (NEF) approval was received March 22, 2017.

Troy Swanda, SOME Housing Development Director and Jennifer Schneider, Associate Director of Housing Development at SOME presented on the project,

Ms. Schneider presented a rendering of the proposed development and highlighted increased accessibility through a combination of an on-grade entrance to the basement, code compliant stairs, and elevators. She then invited questions from the Board.

Mr. Binitie inquired on the management of risk in light of the developer's deferral of roughly 90 percent of its developer fee along with retention of 5 months in lease-up reserves and 11 percent contingency, the developer's experience in managing LRSP contracts notwithstanding.

Mr. Swanda explained that changes in LIHTC pricing resulted in the loss of roughly one million dollars in equity, which was replaced with the aforementioned deferral. He explained that the development was also able to support an increase in bond debt. The combined strategy allowed the developer to avoid increased reliance on the Housing Production Trust Fund. He then explained that while the current budget is tight, exploratory demolition at the project eliminated many previously unknown construction-related issues. To the extent that additional issues arise, he discussed the presence of an $800,000 construction contingency. Mr. Swanda also discussed the pent up demand for the unit sizes offered by the development, planned occupancy of several units by residents transitioning from SOME's Weinberg Building, as well as the planned coordination with DHCD for the relocation of DC General Hospital shelter occupants to the development.

Given the size of the debt, Mr. Binitie asked what plan is in place in the event that LRSP subsidy dissipates. Mr. Swanda responded by discussing that the rents in the Columbia Heights neighborhood can support the project's increase from 30% AMI rents to 60% AMI rents. Mr. Binitie asked for confirmation that an increase to 60% AMI rents would cover the debt service on the project in the event of lost LRSP. Mr. Swanda responded in the affirmative and indicated that the lender's (Citibank) stress test on the transaction supports his response to Mr. Binitie's question.

Mr. Binitie expressed doubt and pointed out a large disparity between 60% AMI tax credit rents and LRSP fair market rents. Mr. Swanda indicated that the delta between those rents recently widened greatly due to an increase in LRSP fair market rental limits. However, the transaction was underwritten to the lower tax credit fair market rental limit.

Mr. Binitie indicated that LRSP rents for a 2-bedroom unit in the Columbia Heights neighborhood stand at $3,056. Mr. Swanda interjected that the contingency for lost LRSP was underwritten at 50%AMI, lower than the 60% tax credit rent of $1,894, also lower than the increased LRSP rents.

Mr. Swanda stated that LRSP rents increased in April (without specifying the year), and the development is subject to the rents as established pursuant to the RFP.

Mr. Jackson inquired on whether the expansion of access to the basement was the major driver of cost at the development.

Mr. Swanda answered in the affirmative. Ms. Schneider concurred, adding that the project partially involves new construction. Ms. Schneider also indicated that the acquisition price ($5 million) was also a significant driver of cost at the project.

Mr. Binitie then conveyed the results of contemporaneous research on his handheld, which indicated that per DHCD's website, as of June 6th, 2016, LIHTC rent for two bedrooms was $1,467, which represents a $900-$400 differential below LRSP rents. Mr. Binitie then asked for confirmation that the developer's covenant with DHCD allows a rental increase to 60% AMI. Mr. Swanda answered in the affirmative. Mr. Binitie then asked for confirmation that the units are underwritten to 50%AMI and the allowable adjustment was reflected in the developer's closing documents with DHCD. Mr. Swanda answered in the affirmative.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Ms. Miller and seconded by Mr. Jackson. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

VII. Consideration of DCHFA Resolution No. 2017 06(G) for the Approval of a McKinney Act Loan associated with the 218 Vine Street NW transaction

Mr. Tengen gave the following presentation:

- The Project will consist of the construction of a 6 story, ground-up affordable residential project with 100 rental units and 40 underground parking spaces.
- The principal developer and Sponsor of the project is Jair Lynch.
- The Project will be located at 218 Vine Street NW in the Takoma Park neighborhood of Washington, DC.
- 20 units will be reserved for households with incomes at or below 30% AMI. 70 units will be reserved for households with incomes at or below 50% AMI, and ten units will be reserved for households with incomes at or below 60% AMI.
- The ninety units reserved for households with income at or below 50% AMI exceed the McKinney Act requirements of three units.

Financing

- The McKinney Act Loan will be used to pay for a portion of the cost to acquire the site and legal fees.

- The McKinney Act Loan will be repaid at the closing of the bond financing which is estimate to occur in April 2019.
- The total Project development cost will be approximately $42.3 million and will be financed with proceeds from the issuance of tax exempt bonds, subordinate debt, syndication of ("LIHTCs") and deferred developer fee.
    - The Architect of Record for the project will be KTGY and WinnResidential will be the management agent. The Sponsor has not selected a General Contractor, Lender or Equity provider for this project.

Construction

- Construction period is estimated to be 15 months.

Phuc Tran, Investment Manager at Jair Lynch Real Estate Partners gave a presentation that highlighted the value of affordable units in a highly desirable neighborhood, and Metro accessibility. Mr. Tran then discussed the history of the developer.

Mr. Binitie asked whether the developer has site control. Mr. Tran answered in the affirmative. Mr. Binitie asked whether the developer intends to purchase the property before securing DHCD funding. Citing an "exit strategy" under any circumstance (i.e., condo or conventional/workforce rental housing), Mr. Tran answered in the affirmative.

Mr. Binitie made note of the development's inclusion of 60% AMI units and conveyed his understanding that said units are not allowable under the most recent DHCD NOFA. Mr. Tran responded that per DHCD, the 60% AMI units may be funded through separate sources including deferred developer fees.

Mr. Binitie noted the developer's modeling of a basis boost. Mr. Tran acknowledged the error in assigning the boost to a 4% LIHTC transaction. Mr. Tran then indicated the need for an extra $30,000 per unit in Housing Production Trust Fund dollars (rough total of $179,000). Mr. Binitie then commented on the need to adhere to the so-called "50% test" for receiving LIHTCs.

Mr. Binitie inquired on why the developer assumed execution of HUD 221 (D) (4) financing on the project. Mr. Tran indicated that at 40 year financing, 150 debt service and 85% Loan to cost, the "D4" execution is highly market competitive. He then discussed an anticipated D4 pilot with an improved processing time of 6 months from "concept meeting" to closing.

Mr. Binitie asked whether the developer was willing to take the risk associated with going through with due diligence and application before receiving project subsidy. Mr. Tran responded that the developer is willing to take the risk once it "gets some indication of the subsidy monies in place," which should not impact the aforementioned 6-month timeframe.

Mr. Binitie asked when the Developer plans to apply to the DHCD NOFA. Mr. Tran responded, June.

Mr. Binitie indicated that Agency staff will work with the developer to make certain of deal modifications.

Mr. Irving made mention of the developer's recent sale of an affordable development, and asked whether the developer intended to hold this property for the long term. Mr. Tran responded in the affirmative. He went on to explain the reason for the sale of said affordable development, mainly was the developer purchased a portfolio of LIHTC properties in 2011, and the pension fund investor wanted an "exit." Mr. Tran listed several affordable properties still in the developer's portfolio.

Mr. Irving asked for confirmation that the "Howard [dormitory] deal" is not an affordable one. Mr. Tran answered in the affirmative.

Mr. Irving then expressed his pleasure that the developer continues to occupy the affordable housing space. He went on to praise Mr. Lynch's continued connection and dedication to the District of Columbia.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Mr. Jackson and seconded by Ms. Miller. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

Mr. Binitie then withdrew the motion, and instructed the Agency to allow no more than $500,000 of the total $1 million loan to be used for acquisition cost.

Mr. Binitie then called for a re-vote. A motion to approve the resolution was made by Ms. Miller and seconded by Mr. Jackson. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

The meeting was closed at 7:47 p.m. and resumed at 7:48 p.m.

VIII. Consideration of DCHFA Resolution No. 2017-02(G) for the Approval of formation of the DC HFA Housing Investment Platform and the single family investment pilot.

DCHFA Housing Investment Officer, Christopher Miller gave the following presentation:

The housing investment platform will further DCHFA's mission to stimulate and expand housing opportunities in the District by allowing the Agency to pursue opportunities outside of the traditional bond and tax credit financing.

The first initiative under the housing investment platform will be the single family investment pilot. The single family investment pilot will provide equity capital to local developers to construct for-sale housing units affordable to workforce families.

Mr. Binitie expressed his desire that the housing investment platform program staff work closely with the DCHFA Office of Single Family Programming to create "synergies." He also expressed his desire for close monitoring of the program's impact on appraised values in immediately surrounding project areas.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Ms. Miller and seconded by Mr. Jackson. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

Vote to close the meeting to consult with the Board's attorney.

Pursuant to the District of Columbia's Administrative Procedure Act, Mr. Binitie called for a vote to close the meeting in order to consult with attorney to obtain legal advice and preserve the attorney client privilege between and attorney and a public body or to approve settlement agreements provided that upon request, the public body may decide to waive such a privilege. An open meeting would adversely affect matters related to the Agency.

Mr. Binitie then called for a vote to close the meeting. A motion to close the meeting was made by Mr. Jackson and seconded by Ms. Miller. The notion was approved by a chorus of ayes.

The meeting was closed at 7:52 p.m. and resumed at 7:58 p.m.

IX. Executive Director's Report

- The DCHFA was scheduled to participate in its DC Council Budget Oversight Hearing on Thursday, May 4, 2017

X. Adjournment

A motion to adjourn the meeting was made by Mr. Jackson, and seconded by Ms. Miller. The motion was approved by a chorus of ayes.

The meeting adjourned at 7:59 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on May 23, 2017.

Approved by the Board of Directors on May 23, 2017.