DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING
May 9, 2017
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum

In the absence of Secretary to the Board of Directors, Mr. Todd A. Lee, DCHFA Associate Executive Director, W. David Watts served in Mr. Lee's stead.

The Chairman, Mr. Buwa Binitie, called the meeting to order at 5:33 p.m. and asked Mr. Watts, 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 (who participated telephonically), Stanley Jackson (who participated telephonically), Stephen Green (joined the meeting after approval of the minutes and participated telephonically).

II. Approval of the Minutes from the April 11, 2017 Board Meeting

A motion to approve the minutes from the meeting of April 11, 2017 as distributed was made by Mr. Jackson and seconded by Ms. Miller. The minutes were approved by a chorus of ayes.

III. Vote to close meeting to discuss the approval of the Takoma Place transaction, the Petworth Station transaction, the Villages of East River transaction and the Agency's equity investment in the Elvans Road Townhomes project

Immediately before the closing of the meeting, Mr. Green, citing his status as an employee of the developer, recused himself from deliberation of the Takoma Place transaction. He specifically discussed that he does not stand to gain from the transaction, but chose to recuse himself "from an abundance of caution."

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 Takoma Place transaction, the Petworth Station transaction, the Villages of East River transaction and the Agency's equity investment in the Elvans Road Townhomes project. 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 5:43 p.m. and resumed at 6:27 p.m.

DCHFA Executive Director, Todd Lee joined the meeting telephonically during closed session, and remained present through adjournment.

VI. Consideration of DCHFA Eligibility Resolution No. 2017-10 for Petworth Station

DCHFA Development Officer, Ms. Carrie Fischer presented the following information to the Board:

The Agency recommended approval and adoption of a DCHFA Eligibility Resolution for the Petworth Station transaction.

- The principal sponsor of this project is Petworth Station LP. The general partner is Petworth Station GP LLC. The 80% owner of the general partner Smith Petworth Station Investment LLC will manage the day-to-day decision making and operations of the sponsor. William C. Smith Company, Inc. will be the guarantor.
- **Additional members of the development team include:**
    - Stoiber + Associates as the architect of record;
    - WCS Construction as the general contractor;
    - And WC Smith will be the Management agent.
- The project, which is located in the Petworth neighborhood in Ward 4, consists of the acquisition and renovation and new construction of 78 unit apartment complex. The new construction component of the project will create an additional 10 units of housing at the project for a total unit count of 88 units.
- The 930, 940, 960 Randolph Street Tenant Association assigned the Development Rights to WC Smith. WC Smith acquired the property on March 29, 2017 and is seeking an eligibility resolution at this time in order to preserve the acquisition credits for the anticipated bond/4% Low Income Housing Tax Credit (LIHTC) financing of this Project.
- The total development cost of the project is approximately $20.67 million or approximately $235,000 per unit. The Sponsor plans to complete a substantial renovation and has estimated a gross construction budget of approximately $9.1 million or $103,000 per unit.
- Construction period is estimated to be 20 months.
- The Agency anticipates closing on this transaction in the Winter of 2017 or 2018.

Financing

- The total development cost of the Project is approximately $20.67 million and will be financed with tax exempt bonds, a loan from Department of Housing and Community Development (DHCD), proceeds from the syndication of the low income housing tax credits (LIHTCs), interim income and deferred developer fee.

- The Sponsor is still in the process of finalizing the financing structure and financing team, so staff has assumed a private placement and used estimated terms for underwriting purposes.

- The Sponsor has not yet selected an investor. Underwriting is based on a tax credit rate of $0.96 per $1.00 of credit, yielding an LIHTC equity contribution of $6.21million.

  The total capital stack is as follows:

  - $10 million in DCHFA tax exempt bonds of which $3.3 million are short-term bonds and $6.7 million are long-term bonds.

  - $6.21 million in equity raised through the syndication of LIHTCs.

  - $7.02 million loan from DHCD Housing Production Trust Fund ("HPTF").

  - $149,000 in interim income.

  - $559,461 in deferred developer fee.

- The Sponsor plans to submit an application for DHCD current Request for Proposals. DCFHA will not move forward with Stage III underwriting until all sources of funding have been secured.

Operating

- 100% of the units will be set aside at the 60% Area Median Income (AMI) level for both bonds and tax credits.

- Based on the Development agreement rent increases for the current tenants will be in line with DC Rent Control.

- The Bedroom mix is as follows:

  - 26 efficiencies

  - 54 one bedroom units

    - 6 two bedroom units
    - 2 three bedroom units
    - For a total of 88 units

- **Project Economics**

  The projected gross potential rental revenue for the project is approximately $1.09 million per year. DCHFA staff assumed a 5% vacancy on rental income and miscellaneous income for an effective gross income of approximately $1.04 million. Total operating expenses are an estimated $567,000 million or approximately $6,400 per unit. The project's net operating income is $476,000 and has a debt service coverage ratio of 1.15 in year one that increases over the 15 year analysis period.

  Ms. Fischer then introduced Pam Askew, Senior Vice President of Affordable Housing Development at WC Smith.

  Also in attendance: Clare McCabe- Sarra Mohamed, WC Smith; Juanita McKenzie, President of the Tenant Association at 930/940/960 Randolph Street.

  Mr. Binitie stated for the record that the developer presented the Board with illustrations of the proposed development.

  Mr. Binitie asked whether the developer applied for a loan with DHCD. Ms. Askew responded in the affirmative, adding that changes in DHCD's latest funding round provided "priority points" to the project. After inquiry on the nature of the development, Ms. Askew clarified that the project is a partial renovation. She then discussed the scope of construction with particular emphasis on upgrades in accessibility. She went on to discuss points awarded for below 30 % leveraging, (particularly 29%) leveraging of DHCD funding, and the scoring disadvantage of a project located in the Petworth neighborhood. She indicated that the project will not go "net-zero," but energy efficiency will be increased through a partnership with the DC Sustainable Energy Utility (DCSEU). Tenants will be responsible for electric utility, including energy consumed by small window air conditioner units, but the developer is exploring sources for payment assistance on that tenant-incurred expense. Rents will be reduced to reflect newly incurred utility expense to the tenants.

  Mr. Binitie inquired on the number of tax credit units. Ms. Askew indicated that all but one unit that will be provided to on-site janitorial staff will qualify as a tax credit unit. All other units will be income qualified. Mr. Binitie asked whether underwriting was complete on income qualification. Ms. Askew indicated that per CohnReznick, the fact that "a person or two" has exceeded 60% AMI restriction does not prohibit reentry of those tenants under the LIHTC regime, so long as those individuals return to their units after renovation.

Mr. Binitie asked whether tenant-in-place renovation is occurring at the site. Ms. Askew responded in the negative. Mr. Binitie asked whether the residents are amenable to being relocated. Citing the presence of asbestos in the units, Ms. Askew answered in the affirmative. Ms. Askew discussed the presence of other WC Smith controlled developments in the area and that unity of control can provide lease term flexibility allowing for short term residency before return to the subject property. The developer will pay for rent differentials and moving costs, with special assistance to disabled and elderly tenants. She also discussed that the developer will honor a pre-existing agreement to maintain rents at $550 and $650 per month. She also indicated that due to the narrow timeframe between closing on DHCD financing and developer's desired commencement timeframe, there will likely be a, early "trickle" of relocations.

Mr. Binitie asked about the structure of ownership, which includes two related General Partners (GPs). Ms. McCabe responded that the GP has partners within it which have minority interest. Chris Smith and John Ritz of WC Smith make a determination of who will be the partners within that GP, which has a 20% share of ownership. There are some, perhaps, senior staff members at WC Smith that Mr. Smith and Mr. Ritz want to have ownership stake one of those partnerships. The second GP is wholly controlled by Chris Smith and John Ritz, and maintains 80% interest. WC Smith is the guarantor.

Mr. Binitie asked about the nature of WC Smith Mortgage. Ms. McCabe responded that it's a division of WC Smith that she (McCabe) runs, and through which she receives fees for loan servicing on the project.

In response to an inquiry from Mr. Binite about permanent supportive housing and after brief reference to income certification, Ms. Askew acknowledged the need to modify the project pro forma to reflect the requirements under the DHCD NOFA, and discussed coordination with social service providers to assist with the needs of several tenants.

Mr. Binitie asked whether fellow Board members had questions. Hearing none, Mr. Binitie called for a vote on the matter. A motion to approve the resolution was made by Ms. Miller and seconded by Mr. Jackson. Mr. Watts then took a roll call vote. All present members voted in the affirmative. The motion carried.

VII. Consideration of DCHFA Eligibility Resolution No. 2017-11 for the Villages of East River

Carrie Fischer, DCHFA Development Officer, recommended approval and adoption of a DCHFA Eligibility Resolution for the Villages of East River transaction.

- The principal sponsor of this project is **East River Preservation Partners LLC.** The general partner is **Southeast Ownership Group LLC, w**hich is a joint venture between National Housing Trust- Enterprise Preservation Corp or NHTE and IBF Development. NHTE and IBD Development will jointly and severally guarantee the project.

- **Additional members of the development team include:**

    - Eagle Point Management as the Management agent

    - The Sponsor has yet to select an architect or general contractor for the project

- The Project consists of 16 properties that are located in four clusters throughout ward 7 & 8 in Southeast Washington, DC and will include the acquisition and renovation of the 202 unit apartment project.

- The Positive Change Tenants Association assigned the Development Rights to the Sponsor. The Sponsor acquired the property on March 17, 2017 and is seeking an eligibility resolution at this time in order to preserve the acquisition credits for the anticipated bond/4% LIHTC financing of this Project.

- The total development cost of the project is approximately $44 million or approximately $218,000 per unit. The Sponsor plans to complete a substantial renovation and has estimated a gross construction budget of approximately $20.3 million or $101,000 per unit

- Construction period is estimated to be 16 months.

- We anticipate closing on this transaction in February 2019.

Financing

- The total development cost of the Project is approximately $44 million and will be financed with tax exempt bonds, a loan from DHCD, proceeds from the syndication of (LIHTCs), interim operating income and deferred developer fee.

- The Sponsor is still in the process of finalizing the financing structure and financing team, but staff underwrote this project based on a term sheet from Citibank.

- Underwriting is based on a tax credit rate of $0.96 per $1.00 of credit, yielding an LIHTC equity contribution of $13.6 million.

The total capital stack is as follows:

- $22 million in DCHFA tax exempt bonds of which $14.1 million are short-term bonds and $7.9 million are long-term bonds and.
- $13.6 million in equity raised through the syndication of LIHTCs.
- $21 million loan from DHCD Housing Production Trust Fund ("HPTF").
- $486,000 in interim income.
- $878,000 in deferred developer fee.

- The Sponsor plans to submit an application for DHCD Request for Proposals in the next funding round assumed to be in the fall of 2017. DCFHA will not move forward with Stage III underwriting until all sources of funding have been secured.
- **Operating**
- 100% of the units will be set aside at the 60% AMI level for both bonds and tax credits.
- Based on the Development agreement rent increases for the current tenants will be in line with DC Rent Control.
- The Bedroom mix is as follows:
    - 74 one bedroom units
    - 128 two bedroom units
    - For a total of 202 units

Project Economics

The projected gross potential rental revenue for the project is approximately $2.18 million. DCHFA staff assumed a 7% vacancy on rental income and miscellaneous income for an effective gross income of approximately $2.09 million. Total operating expenses are an estimated $1.45 million or approximately $7,200 per unit. The project's net operating income is $493,000 and has a debt service coverage ratio of 1.20 in year one that decreases starting in year 7 of the 15 year analysis period.

Ms. Fischer introduced the following members of the development team:

Rob Richardson, President, IBF Development; Kevin White, VP, NHT Enterprise; David Dyson, Board Member, Positive Change Tenants Association; Tierni Orendoff, Insight Group, who is a consultant on the project.

Mr. Binitie commented on the multi-structured nature of the property, and asked why the developer decided to attempt development of the property type. Mr. Richardson explained that the property was “pre-bundled” in the year 2000. He then discussed the process by which the tenants selected the developer and the problems presented with the building structure. He also discussed Eagle Point’s responsiveness related to property management issues.

Mr. Binitie asked for confirmation of 100% income qualification. Mr. Richardson indicated that the previous owner improperly maintained files, and the developer is in the process of recertifying tenant income.

Mr. Binitie asked whether the project, which applied for DHCD funding, is within its updated notice of funding availability (NOFA) guidelines. Mr. Richardson responded in the affirmative.

Mr. Binitie inquired on the developer’s operating expenses and renovation costs per unit. Mr. Richardson indicated that the project is within its funding threshold.

Mr. Binitie inquired on the extent of required tenant relocation. Mr. Richardson responded that no in-place renovation will occur, and seven currently vacant units will provide temporary relocation space. He also discussed the need for additional off-site relocation units. Mr. Binitie asked whether his verbal description of affairs constituted the relocation plan. Ms. Fischer interjected, stating that specific details of the relocation plan are under current development. Mr. Richardson added that a relocation schedule has been developed taking into account the six week per building renovation schedule.

Mr. Jackson asked whether an increase of the relocation radius from two to five miles takes into consideration pre-existing proximity of children to their neighborhood schools. Mr. Richardson responded that existing area vacancies will allow the developer to avoid extending the radius to 5 miles.

Mr. Binitie asked whether the developer will re-approach HUD for additional mark to market funding. Mr. Richardson responded that one of the buildings currently has a Section 8 contract on it with 18 units that currently extend through the year 2022. Mr. Binitie inquired on a plan to address the pending expiration of that contract in five years. Mr. Richardson indicated developer’s intent to extend the contract. Mr. Binitie asked whether reapplication would occur in the short term or at expiration. Mr. Richardson indicated that developer did not plan to reapply in the near term, but expressed openness to doing so. Mr. White concurred, and referenced pending consultation with the tax credit investor on the matter. Mr. Binitie inquired on the impact of a loss in revenue from the expiration of the HAP contract. Ms. Fischer responded that the net loss in annual rent would total approximately $14,000. Mr. Binitie then inquired on the impact in debt service coverage ratio. Ms. Fischer indicated the elimination of the HAP contract would result in a ratio of 1.15 in years 1-11, and below 1.15 in years 11-15.

Mr. Irving inquired on whether the management company at one of the developer's sites will manage the subject development. Mr. Richardson answered affirmatively, and discussed the cost savings of employing a company that operates close to the subject property.

Mr. Binitie called for a vote on the matter. A motion to approve the resolution was made by Mr. Irving and seconded by Ms. Miller. Mr. Watts then took a roll call vote. All present members voted in the affirmative. The motion carried.

IV. Consideration of DCHFA Eligibility Resolution No. 2017-09 for the Takoma Place Apartments.

Mr. Green left the meeting, and was asked by Mr. Lee to return to the meeting for closed session with the Board's legal counsel. He agreed.

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

DCHFA Eligibility Resolution for Takoma Place Apartments transaction is for an amount not to exceed $15.4 million.

- The principal developer and Sponsor of the project is NHP Foundation. Additional members of the development team include Hamel Builders as the General Contractor, Studio K Architecture as the Architect of Record and Winn Residential as the Management Agent.

- The Project will be located at 6676 Georgia Avenue NW in the Brightwood neighborhood of Washington, DC and will consist of the acquisition and rehabilitation of seven garden style apartments containing a total of 105 units.

- The Takoma Place Tenants Association assigned the Development Rights to the Sponsor. The Sponsor acquired the property on March 14, 2017 and is seeking an eligibility resolution at this time in order to preserve the acquisition credits for the anticipated bond/4% LIHTC financing of this Project.

- The total Project development cost will be approximately $33.2 million (approximately $316,000 per unit). The Sponsor plans to complete a substantial renovation and has estimated a gross construction budget of approximately $9 million or $86,001 per unit.

Construction

- Construction period is estimated to be 14 months.

We anticipate closing on this transaction in March 2018.

Financing

- The total Project development cost of approximately $33.2 million will be financed with short term and long term tax exempt obligations, a subordinate loan from the DC Department of Housing and Community Development (DHCD), LIHTC equity and deferred developer fee.
- The investor, R4, capital is anticipate to purchase tax credits at a rate of $0.95 per $1.00 of credit yielding a LIHTC equity contribution of $9.2 million
- The Sponsor has received a letter of commitment for acquisition financing in an amount not to exceed 13,712,505. The Sponsor expects to close on the DHCD financing in July 2017.

The capital stack is as follows:

- $15.4 million in tax exempt obligations, $6.3 million in short term obligations and $9.1 million in long term obligations
- $9.2 million in equity raised through syndication of LIHTCs
- $13.5 million in loan from DHCD Housing Production Trust Fund
- $662,351 in deferred developer fee
- Operating Income $352,259
- Existing Reserves $443,066

On the operating side

100% of the incoming producing units will be set aside for households at or below 60% of AMI for both bonds and tax credits.

With respect to the Program

- The bedroom mix is as follows
    - 4 one bedroom units
    - 101 two bedroom units

Project Economics

The projected gross potential revenue for the project is $1,606,416. DCHFA staff assumed a 5% vacancy for an effective gross income of 1,556,168. Total operating expenses of $872,452 or approximately $8,300 per unit. The project's net operating income is $683,716 and has a debt service coverage ratio of 1.15 that increases during the 15 year analysis period.

Ms. Fischer then introduced Mansur Abdul-Malik with the NHP Foundation, Mr. Elliot Hampton, President of the Tenant Association of Takoma Place Apartments; Mr. Alphonso Lewis, Vice President of the Tenant Association of Takoma Place Apartments; Mr. Oscar Maccio of Hamel Builders.

Mr. Binitie asked whether the developer has a tenant relocation plan. Mr. Malik answered in the affirmative. Mr. Binitie asked whether everyone at the property is income qualified. Mr. Malik answered in the affirmative.

Mr. Binitie asked whether fellow Board members had questions. Hearing none, Mr. Binitie called for a vote on the matter. A motion to approve the resolution was made by Ms. Miller and seconded by Mr. Jackson. Mr. Watts then took a roll call vote. All present members voted in the affirmative. The motion carried.

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 Ms. Miller and seconded by Mr. Jackson. The notion was approved by a chorus of ayes.

The meeting was closed at 7:27 p.m. and resumed at 7:42 p.m.

V. 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 7:43 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on June 13, 2017.

Approved by the Board of Directors on June 13, 2017.