DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING

June, 27 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 5:38 p.m. and asked the Secretary of the Board of Directors, Mr. Todd A. Lee, to verify a quorum. With three 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, and Bryan "Scottie" Irving. Stephen M. Green (telephonically), and Stanley Jackson (telephonically).

Approval of the Minutes from the May 23, 2017 Board Meeting

Mr. Irving stated for the record, his desire to receive confirmation of H2 Construction's designation as a Department of Small and Local Business Development (DSLBD) Certified Business Enterprise designation once secured.

Mr. Lee agreed to confirm said designation once secured.

A motion to approve the minutes from the meeting of May 23, 2017 as distributed was made by Mr. Green and seconded by Mr. Irving. The minutes were approved by a chorus of ayes.

III. Vote to close meeting to discuss the approval of the Maplewood Apartments transaction, the 1111 Mass Place Apartments transaction, and a McKinney Act Loan associated with the 1111 Mass Place Apartments transaction.

Pursuant to the District of Columbia Administrative Procedure Act, 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 the price and other material terms of the Maplewood Apartments transaction, the 1111 Mass Place Apartments transaction, and a McKinney Act Loan associated with the 1111 Mass Place Apartments transaction. 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 Mr. Jackson and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:42 p.m. and resumed at 6:44 p.m.

II. Consideration of DCHFA Final Bond Resolution No. 2017-13 for the Maycroft Apartments.

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

- The Agency recommends adoption of a DCHFA Eligibility Resolution for the Maplewood Courts transaction in an amount no to exceed $14,250,000

- The principal developer of the project and property management agent is Vesta Corporation

- Additional members of the development team include Marous Brothers Construction as the general contractor and architect of record for the project.

- The project is located at 2300-2306 Hartford Street (even only) and 2850 -2852 23rd Place (evens only) in the Randle Heights neighborhood of Washington, DC and will consist of the acquisition, rehabilitation and construction of seven garden style apartment buildings which currently consist of 94 units.

- The total Project development cost will be approximately $22.7 million (approximately 241,997 per unit)

Construction

- Construction Period is estimated to be 12 months.

- Anticipated closing on this transaction is October 2018.

Financing

- The total project development cost will be approximately $22.7 million, which will be financed with short term tax exempt obligations, a subordinate loan from the DC Department of Housing and Community Development (DHCD), and Low-Income Housing Tax Credit (LIHTC) equity, interim income, sponsor loan and deferred developer fee.

- The long term financing will be funded from the proceeds of FHA 221(d) (4) loan. PNC will be serving as the construction to permanent lender.

- The investor, PNC, is anticipated to purchase tax credits at a rate of $1.01 per $1.00 of credit yielding an LIHTC equity contribution of $7.4 million.

The capital stack is as follows:

- $11.3 million in DCHFA short term tax exempt obligations
- $6.65 million FHA Mortgage
- $7.4 million in equity raised through the syndication of LIHTCs
- $6.7 million in loan from DHCD Housing Production Trust Fund
- $564,784 in deferred developer fee
- $1.4 million sponsor loan
- 83,473 in interim income

With respect to the Program:

- The bedroom mix is as follows:
    - 1 one bedroom unit
    - 15 two bedroom units
    - 78 three bedroom units

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

Based on the proposed unit mix 89% of the units will be set aside at the 60% AMI level, 11% set aside at the 30% AMI level

Project Economics

The projected gross potential revenue for the project is $1,277,160. DCHFA staff assumed a 7% vacancy for an effective gross income of $1,202,490. Total operating expenses of $777,220 or approximately $8,268 per unit. The project's net operating income is $425,270 and has a debt service coverage ratio of 1.19 that increases during the first seven years and begins to trend downward but remains above a 1.22 during the 15 year analysis period.

Ms. Tengen then introduced Mr. Arthur Greenblatt, President and CEO of Vesta Corporation for developer presentation.

Mr. Greenblatt discussed the history of Vesta. He then discussed Vesta's initial assumption of management responsibility in 2013, and the process by which it (Vesta) replaced the general partner at the property, and later installed its affiliate in that general partner position. Per Mr. Greenblatt, Vesta successfully applied for DHCD funding in Spring 2017. Vesta has a track record with PNC both on debt and equity financing. PNC will underwrite the mortgage, provide permanent FHA financing, and serve as the tax credit investor.

Mr. Greenblatt discussed Vesta's installation of child learning centers in its properties and its intention to expand the scope to serve adults at the subject site. He also discussed the scope of work as it relates to the redevelopment of the laundry facility and playground.

Mr. Binitie cited the existence of 78 three-bedroom units at the site. He then inquired on the recent increase in vacancies at the development from nine to 14. Mr. Greenblatt indicated that there are “a number” of three-bedroom units occupied by families that at the time of original leasing required the space, which are now underutilized due to reduction in household size. Mr. Binitie characterized the property as “over housed.”

Mr. Greenblatt indicated that occupants of those “over-housed” units would not require equally sized temporary construction-period space. He then indicated that Vesta would defer a firm decision/strategy on whether and how to return unit occupants to appropriately sized units. He then discussed his desire that the vacancy rate increase to 20-25 units in order to facilitate sufficient temporary space for on-time completion. He expressed his expectation to achieve that vacancy rate through attrition, but discussed the possibility of increasing the construction timeline by one or two months in the event of continued constraints on temporary space. Mr. Binitie requested a detailed report on the relocation plan prior to Board approval of the final bond resolution, which Mr. Greenblatt agreed to provide. Mr. Greenblatt asked whether a report akin to the one provided in relation to the Park Southern transaction would suffice. Mr. Binitie responded in the affirmative. Mr. Greenblatt stated that the report would be provided to the Board in “a couple of weeks.”

Mr. Jackson asked whether special consideration would be given to families of school-aged children such that commutes would not be disrupted. Mr. Greenblatt answered in the affirmative.

Mr. Binitie asked for details on the $1.3 million developer loan described as a permanent source. Mr. Greenblatt expressed his desire that the loan serve as bridge debt, but stated that the DCHFA loan as converted to permanent FHA debt and the DHCD loan are priorities for repayment, and that the developer loan will exist for at least 15 years.

Mr. Binitie asked whether the loan was included in the calculation of basis. Mr. Greenblatt expressed a lack of certainty, and referred to the work of the developer’s accounting firm Cohn Reznick in making basis calculations.

Mr. Binitie asked for confirmation that the developer is prepared to retain the so-called bridge debt for as long as necessary. Mr. Greenblatt answered in the affirmative.

Mr. Binitie inquired on why developer liabilities ratio declined drastically between 2015 and 2017.

Mr. Greenblatt was provided a copy of the financial documents provided to the Board and relied on by Mr. Binitie in his question regarding liability ratios. After some attempt to interpret the document for the Board, Mr. Lee indicated his intent to have the Developer respond to the Board at a later date. Mr. Greenblatt stated that the ratios were somehow related to an acquisition line of credit and temporary loans.

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. Lee then took a roll call vote. All present members voted in the affirmative. The motion carried.

III. Consideration of DCHFA Eligibility Resolution No. 2017-15 for the 1111 Mass Place Apartments.

Shirley Boubert-Rumble, DCHFA Deputy Director, Multifamily Lending and Neighborhood Investment presented the following information to the Board:

1111 Mass Place Apartments is requesting $500,000 McKinney Loan for the pre-development expenses associated with the financing for the project. And to obtain an $18 million short-term tax exempt bond financing.

The project consists of an 83,000 square feet, ten story, mid-rise building, with 45 parking spaces. The scope of the project is a moderate rehab, for primarily building system upgrades. The principal developer is, NHT Development. The number of units is 160, consisting of primarily efficiencies and one-bedroom units.

The capital stack consists of $16.7 million in DCHFA short-term bonds, another portion of $1.3 million for a total of $18 million that will be taken out with FHA lender, permanent financing, and LIHTC equity.

Additional financing of $7 million in equity, LIHTC, $10.7 million from DHCD Housing Production Trust Fund, and $1 million in deferred development fees.

Ms. Boubert-Rumble then introduced the development team, generally. Mr. Edward Pauls, Assistant Vice President at NHT Enterprise introduced specifically members of the development team and tenant association.

Mr. Pauls began his presentation by discussing NHT's work to acquire the site through the Tenant Opportunity to Purchase Act (TOPA). He then referenced a previous 2011 renovation that did not receive sufficient financing to conduct the work now under consideration. He then discussed the intended scope of work, and focused on replacement of the heating and cooling system, roofing and certain common areas.

The developer planned to put out an RFP for tax credit investors, and expected to make a final decision on the matter by July 2017. Mr. Binitie inquired on anticipated pricing. Mr. Pauls relayed developer's project estimate of $0.96, but discussed the possibility of actual pricing of $1.01-$1.02.

Per Mr. Pauls, the developer is interviewing construction firms, and per agreement. Building residents are a part of the decision-making process, which in addition to construction, involves selection of an architect and management company. The developer expects to submit an application to the US Department of Housing and Urban Development (HUD) September, 2017. The project's DHCD loan has been submitted to DC Council.

Mr. Pauls introduced Mr. Nate Moon of the property's tenant association. Mr. Moon discussed the condition of the building, work completed by the previous owner, and current deficiencies which the planned work will address.

Mr. Claire, tenant association member-at-large indicated that the scope of work will be much less disruptive than during the renovation conducted in 2011. Mr. Binitie asked Mr. Claire whether the tenants are comfortable with remaining in place during construction. Mr. Clair answered in the affirmative. Mr. Ken Rayfus of NHT indicated that work within individual units will be relatively undisruptive (e.g., fixture upgrades). Mr. Binitie inquired on how the work will be divided throughout the building. Mr. Rayfus responded that some work will be done by tier and some by floor.

Mr. Binitie inquired on the developer's predevelopment exposure. Mr. Pauls indicated that the developer has spent just over $900,000 on predevelopment, and expects to spend an additional $200,000, and the requested McKinney Act funding will spare the developer from having to expend additional funds out-of-pocket. Mr. Lee asked whether the Developer will expend its own funding before McKinney Act Funds. Mr. Binitie expressed his desire that said order of expenditure in fact occur. Mr. Pauls responded in the affirmative.

Mr. Irving asked whether building life safety systems are within the scope of work on the project. Mr. Pauls indicated that fire control systems will be replaced. In addition, the developer will test sprinkler systems to assess whether replacement is necessary. Mr. Rayfus added that annunciator and fire alarm system replacement will accompany replacement of the central mechanical plant. Mr. Binitie requested clarification on language in the scope that discusses "real-time" monitoring of automatic systems. Mr. Rayfus then described a system designed to monitor and automatically make adjustments to the central plant as needed.

Mr. Binitie reiterated the Board's requirement that McKinney Act funding be expended after developer expends its remaining predevelopment funds.

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

IV. 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. Irving and seconded by Ms. Miller. The notion was approved by a chorus of ayes.

The meeting was closed at 7:21 p.m. and resumed at 7:32 p.m.

V. Executive Director's Report

- The Agency closed its first DC Home Purchase Assistance Program loan in the week prior to the Board meeting.
- The DC Housing Expo occurred on June 24, 2017. The Agency maintained an event booth where it greeted over 500 current and aspiring DC residents interested in the DC Open Doors program.
- The DCHFA House Crawl was conducted June 17, 2017. There were 32 participants, some of whom identified homes to purchase and began work on securing DC Open Doors financing immediately after the event.
- Of transactions approved under the DC Housing and Community Development's (DHCD) most recent Notice of Funding Availability (NOFA), DCHFA has sized 21 (2,100 units). $250 million in Housing Production Trust Fund dollars have been requested during the NOFA round.
- The Agency is scheduled to appear at a ground breaking for Portner Flats on Thursday, June 14th at 11:00am.
- The Agency is in the process of planning a groundbreaking on its inaugural Housing Investment Platform (HIP) investment at Elvans Road, SE.
- The Agency is planning to conduct a refunding of bonds on the majority of its 90/10 risk-share loans. Request for Board approval is pending, and the Agency will provide related briefing packets at 7/11/2017 Board meeting, price the bonds during the first week of August, and deliver said bonds in mid-August.

Mr. Irving made initial remark regarding, and the Board discussed online registration snafus caused by high public interest in attending the House Crawl event referenced in Mr. Lee's presentation. High turnout at the Housing Expo was also discussed. Mr. Irving suggested increasing the frequency of the event, and upgrading the online presence and procedures associated with online registration.

Ms. Miller asked whether DCHFA's website includes information on Open Doors. Mr. Lee responded in the affirmative and discussed the DC Open Doors information regularly published on the site. There was general conversation about the availability of home purchase assistance program fund availability for individuals seeking to remain and move to the District.

VII. Adjournment

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:39 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on July 25, 2017.

Approved by the Board of Directors on July 25, 2017.