

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

July 11, 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 DCHFA Board Chair, Mr. Buwa Binitie, Vice Chair, Mr. Stephen M. Green served as Chair, presiding.

Mr. Green called the meeting to order at 5:40 p.m. and asked the Secretary to the Board, Mr. Todd A. Lee to verify a quorum. With three members present, the Board of Directors had a quorum, and the meeting continued. The following members were present at roll call: Stephen M. Green, Bryan “Scottie” Irving (telephonically), and Sheila Miller.

II. Status of Board Meeting Minutes.

After inquiry by Mr. Irving on whether the Board would vote to approve minutes, Mr. Lee informed the Board that minutes were not yet prepared, and that the Board would receive two documents at the immediately following Board Meeting.

III. Vote to close meeting to discuss the approval of the Hanover Courts transaction.

Pursuant to the District of Columbia Administrative Procedure Act, Mr. Green 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 Hanover Courts 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 Ms. Miller and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:42p.m and resumed at 6:07p.m.

IV. Consideration of DCHFA Final Bond Resolution No. 2017-16 for Hanover Courts

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

This Eligibility Resolution is being presented to the Board because the Sponsor acquired the property on May 17, 2017 and in order to preserve the acquisition credits the Project must receive an inducement resolution within 60 days of acquisition. Approximately 5% of the permanent sources or \$1.2 million is made up of proceeds generated by the acquisition credits.

The Principal Developer and Sponsor of the project is Hanover Courts Owner, LLC, which is controlled by Manna Inc, E&G Group, LLC and Equity Plus Manager, LLC. Manna will have 51% of the Managing Member of the Sponsor to take advantage of tax abatements. E&G and Equity Plus will be responsible for the day-to-day operations and planning of the Project. E&G will maintain the financials.

- In addition to the Sponsor, the development team includes:
 - Whiting Turner Construction
 - E&G Management will serve as the property management agent
 - Atelier Architects is the architect of record
- Project will be located at 2400-2404 and 2410-2412 Hartford Street and 2945 Knox Place, SE in the Randle Heights neighborhood of Southeast Washington, DC.
- The Project will consist of the acquisition, rehabilitation and new construction of 82 unit apartment building. The existing buildings consist of 74 units. The building floor plans will be configured to include eight additional units utilizing additional space in the basement.
- The Bedroom mix: 42 One Bedroom units and 40 Two Bedroom units.
- Sponsor has elected to set aside 100% of the units at or below 60% of area median income for both bonds and tax credits.

Financing

- The acquisition and construction of the Project, which is estimated to cost \$25.6 million, will be financed by a combination of tax exempt obligations issued by DCHFA, proceeds from the syndication of 4% low income housing tax credits, a subordinate loan from the DC Department of Housing and Community Development's Housing Production Trust Fund, operating income and deferred developers fee
- With respect to the DCHFA obligations, \$11.75 million will be offered through a private placement. The Sponsor has received term sheets from JPMorgan Chase , Bank of America, Citi Bank, Greystone, PNC Bank, and R4.
- The Sponsor has not selected a Low Income Housing Tax Credit (LIHTC) investor. The Sponsor has received a letter of commitment from Boston Financial, PNC Bank, R4 Capital and Redstone Equity Partners of all which have indicated interest in the project and willingness to purchase tax credits at a rate of \$1.00 per credit for an estimated equity amount of \$8.6 million
- The total permanent capital stack is as follows:
 - \$11.75 million in obligations, of which \$8,075,000 are short term obligations and \$3,675,000 are long term obligations
 - \$12.55 million in subordinate debt from DCHD's HPTF
 - \$8.6 million in equity generated through the syndication of LIHTC
 - \$529,903 in deferred developer fee
 - \$267,724 in operating income

Program

- The Property will undergo a substantial renovation including sitework, new MEP systems, new roofs, new windows, modernization of the units, creation of an additional 8 residential units, and upgrading of the laundry room. The total construction budget for the Project is \$11.9 million or \$145,000 per unit. Based on a preliminary review of the construction budget, site work, remediation, reconfiguration of the buildings to accommodate 8 new units, a management office, community room and laundry room, and MEP upgrades are driving a portion of the hard costs. DCHFA staff will continue to evaluate and provide feedback on the construction scope of work and budget as more information is provided.

- The estimated construction schedule is 12 months.
- During construction tenants from the first three building of the Project will be relocated for a period of 12 months off-site. Once the renovation of the first three buildings are complete, tenants from the un-renovated buildings will move to the renovated units. Compliance and Asset Management staff have reviewed and provided comments to the preliminary relocation plan that will need to be addressed prior to final bond approval.

Ms. Fischer then turned over the presentation to Mr. Avram Fecter of Equity Plus who specifically introduced Benjamin Miller (Equity Plus) and Jim Edmondson (E&G). He then referenced the presence and availability of members of the development team to answer questions.

Mr. Fecter indicated that the development team submitted an application to the DC Department of Housing and Community Development (DHCD) for funding on the project and expects to receive a decision by September or October 2017.

Mr. Fecter then introduced Mr. Tony Belton, President of the property's tenant association.

Ms. Miller inquired on the scope of the work. Mr. Fecter responded that the developer is "practically building a brand-new building," which is the cause of the high project construction cost. He then discussed the addition of eight units and a management office, along with the conversion of several apartments into handicap accessible units, which were changes established as conditions to the development agreement with the tenants.

Mr. Green asked whether the developer, in the event of a failed application to DHCD for funding, can support the project until the following year. Mr. Fecter responded in the affirmative. He went on to explain that initial acquisition financing had two components, a senior mortgage from the loan investment fund and a subordinate mortgage from DHCD. He continued: the project currently enjoys \$2.5 million of DHCD funding toward acquisition. The end result is ample debt coverage ratio on the first mortgage. He indicated that while the tenants and developer do not wish to wait until the next round of applications for DHCD funding, the project can support such an event. Mr. Fecter then informed the Board that in recognition of an uncertain closing schedule, the owner instructed the property manager (ENG) to make over 300 "life safety" repairs that cannot wait until closing.

Pointing to an image provided in Ms. Fischer's presentation, Mr. Green inquired on whether the initial repairs referenced by Mr. Fecter addressed certain electrical wiring issues. Mr. Fecter responded in the negative. Mr. Green opined that the subject wiring was perhaps low-voltage, and ultimately indicated that he did not know for certain.

Mr. Benjamin Miller then stated that the DHCD financing was underwritten to take into account the necessary immediate work referenced by Mr. Fecter. Mr. Green inquired on the severity of the developer's interest rate risk. Mr. Fecter responded that the post-rehab first mortgage was written to assume no rent increases post-rehab. The first mortgage is therefore low in relationship to the overall capital stack. He then indicated developer's greater concern for a drop in tax credit pricing. Mr. Miller then discussed developer's confidence in favorable/"flexible" tax credit pricing based on its relationship with the tax credit investor.

Mr. Green remarked that the project is in its early states, and called for a motion to approve the resolution.

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.

V. Consideration of DCHFA Resolution Number 2017-12(G) regarding the selection of a firm to assist the Agency in a search to fill the position of chief financial officer.

DCHFA Human Resources Officer, Heather Hart presented the following to the Board:

The Agency requested the procurement of an executive search firm for the purpose of recruiting a chief financial officer through the critical contract provision of the Agency's procurement manual.

The critical contract provision allows contracts to be awarded within a set time period because a delay would have an adverse impact on the Agency's ability to carry out its business.

The CFO is an essential member of the senior management team and an integral factor to the overall financial health of the Agency. The position has been vacant since June 2, 2017. The Agency would like to utilize an executive search firm to find the most qualified candidate in a timely manner.

The Agency received quotes from a couple of executive search firms, and recommends Terra Search Partners (Terra) as their choice. Terra is a specialized executive search firm with expertise in real estate. They have a strong network in the real estate finance community, and the recruiters have work experience in the real estate industry.

Terra Search Partners rate is the standard industry rate of 33 percent of the annual salary and bonus of the candidate, plus administrative costs.

Mr. Green inquired on the anticipated salary to the hire. Mr. Lee responded “170-180.” Mr. Green surmised that the fee to Terra would be approximately \$60,000. Mr. Hart agreed.

Mr. Green then indicated that the Agency should stay within its non-exigent procurement rules as often as possible. Mr. Lee took note and agreed.

Mr. Green called for a motion to approve the resolution.

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.

VI. Executive Director’s Report

- The Agency was planning to present its request for refunding at the July 25, 2017 Board Meeting, and provided predatory material just prior to this (7/11) meeting.

DCHFAs Treasurer, Pi Tao Hsu presented the following:

The Agency expects to price in the first week of August DCHFAs multi-family development program 2017 series A through revenue refunding bond, and was the issuance of about \$34,577,814.

Mr. Green inquired on the use of those funds.

Ms. Hsu mentioned Henson Ridge, Wesley, and J.W. King, but indicated that she did not have the complete project list.

Mr. Green asked when the bonds were issued. Ms. Hsu responded, 2002.

Mr. Green requested greater detail on the deal structure of the transactions involved in the refunding, and asked for greater explanation on the connection between the refunding and transactions.

Mr. Lee outlined a 90/10 HUD Risk Share transaction and discussed the sequence of events involved in the issuance of DCHFAs debt, and the subsequent re-issuance occurring via the subject refunding.

After another inquiry by Mr. Green on the deals involved in the planned refunding, Mr. Lee pledged to compile the complete related project list for the Board.

Ms. Hsu made reference to the issue of disclosure. Mr. Green asked for elaboration. Ms. Hsu indicated that disclosure of Agency plans to refund may prompt current bond holders

to redeem their bonds, which would adversely impact the benefit of the transaction to the Agency.

Mr. Green reiterated his desire to see the details of the transaction as reflected through the individual related projects.

Mr. Green and Ms. Hsu then discussed that the bonds under consideration are taxable.

Ms. Hsu mentioned the Agency's plan to price and close sale of the bonds from the start of August through to Mid-August.

Mr. Green asked whether the 5-year average on the bonds were tied to the age of the projects. Mr. Lee responded in the affirmative, adding that interest rate forecasts are also a factor. Note was made by Mr. Lee after questioning by Mr. Green that the duration of the notes do not necessarily run with the duration of the project bonds.

After additional conversation on the nuances of bond pricing, Mr. Green called for a motion to adjourn.

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 6:41 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on August 8, 2017.

Approved by the Board of Directors on August 8, 2017.