DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING
July 25, 2017
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 5:36 p.m. and asked the Secretary to the Board, Mr. Todd A. Lee to verify a quorum. With four members present, the Board of Directors had a quorum, and the meeting continued. The following members were present at roll call: Buwa Binitie, Bryan "Scottie" Irving, Sheila Miller, and Stanley Jackson. Mr. Binitie than congratulated his fellow Board Members on their recent swearing-in. Christopher Donald, DCHFA Senior Vice President of Multifamily Lending and Neighborhood Investments introduced recently-hired Agency underwriter, Calvin Jones.

II. Approval of the Minutes from the June 27, 2017 Board Meeting.

A motion was made to approve the minutes from June the 27th, 2017, by Mr. Irving. Properly seconded by Ms. Miller.

The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss the approval of the Multifamily Refunding Series 2017 transaction, the 3534 East Capitol, N.E. a/k/a The Solstice transaction, the 1164 Bladensburg Apartments transaction and a McKinney Act Loan associated with the 1164 Bladensburg 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 Multifamily Refunding Series 2017 transaction, the 3534 East Capitol, N.E. a/k/a The Solstice transaction, the 1164 Bladensburg Apartments transaction and a McKinney Act Loan associated with the 1164 Bladensburg Apartments transaction. An open meeting would adversely affect the bargaining position or negotiation strategy of the public body.

Mr. Irving announced his recusal from Board deliberation of the East Capitol transaction. Mr. Binitie instructed Mr. Irving to exit the Boardroom at commencement of consideration of that transaction.

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

The meeting was closed by unanimous consent at 5:43p.m and resumed at 6:07p.m.

IV. Consideration of DCHFA Final Authorizing Resolution No. 2017-18 for the 3534 East Capitol, N.E. a/k/a The Solstice transaction

Mr. Irving was absent from the Board room for deliberation on this matter.

Carrie Fischer, DCHFA Development Officer presented the following:

- The Principal Developer and Sponsor of the project is 3534 East Cap Venture, LLC, which is controlled by MidAtlantic Urban, LLC and Taylor Adams Associates. MidAtlantic Realty Partners, LLC will be the guarantor for the Project.
- In addition to the Sponsor, the development team includes:
  - McCullough Construction who will be the general contractor and Blue Skye Construction who will be the Co-General Contractor
  - Kettler Management will serve as the Property Management Agent
  - KTGY Group, Inc. is the architect of record
- Project will be located at 3534 East Capitol St. NE in the Deanwood neighborhood and be developed in two separately financed phases.
- The first phase will consist of the acquisition and new construction of 137 unit apartment building with a 75-space below grade parking deck and approximately 2,200 square feet of ground level retail.
- The estimated construction schedule is 18 months and estimated lease up schedule is nine months. The lease up schedule is based on an estimated absorption of 15 units per month.

Financing

- The acquisition and construction of the Project, which is estimated to cost $45.4 million, will be financed by a combination of tax exempt bonds issued by DCHFA, proceeds from the syndication of 4% low income housing tax credits (LIHTC), a subordinate loan from the DC Department of Housing and Community Development's Housing Production Trust Fund, and deferred developer fee.
- With respect to the DCHFA obligations, $21.5 million will be offered through a private placement with JPMorgan Chase.
- The LIHTC investor will be Wells Fargo at a rate of $0.94 per credit for an estimated equity amount of $13.84 million

The total permanent capital stack is as follows:

- $10.6 million in long term bonds

- $19.95 million in subordinate debt from DCHD's HPTF
- $13.84 million in equity generated through the syndication of LIHTC
- $976,000 in deferred developer fee

Program

- The Project will consist of 137 units of which: 63 are One Bedroom units, 59 are Two Bedroom units, and 15 are Three Bedroom units.
- Pathways to Housing will be the tenant services provider.
- All the units will serve households at or below 50% of area median income. However, for bonds and tax credits the selected set aside will meet the 40% of units at 60% of AMI test.

There will also be a small 2,200 square foot retail space. The Sponsor will work to identify a commercial tenant or tenants to fill the space in to coming months, and reports that they have had several promising conversations with potential tenants to date.

Ms. Fischer then turned the presentation over to the development team. Mr. Matthew Robinson, Principal, MRP Realty introduced himself and members of the development team, and their respective roles. He then discussed the planned phases of construction, financing components, and reiterated Ms. Fischer's description of the development program. He then opened the meeting up to questions.

Mr. Jackson inquired on the status of the remaining commercial tenant at the site. Mr. Robinson gave summary of existing tenants at the site, and explained that the seller is responsible for ensuring delivery at closing of a vacant site, but that the developer is working closely with seller on that goal. Mr. Robinson then explained that tenants unfamiliar with the relocation process, and the seller's vacation pushed anticipated closing to the end of August 2017 with the contractual option to extend closing out for one month.

Mr. Binitie inquired on the retail strategy for the site, and the status and timing of necessary permits relative to exit of a holdover tenant.

With regard to the retail strategy, Mr. Robinson indicated that the developer is working with Rappaport Companies to develop a leasing strategy to fill empty retail spaces (i.e. "vanilla boxes"), with "neighborhood serving retail," (e.g., beauty salon, dry cleaners, coffee shop).

With respect to permits, Mr. Robinson indicated that excavation, machine and shoring permits were issued, and that demolition permits were submitted, but would require complete vacancy before demolition work can commence. Environmental review (ESIF) permits were approved, and building permits were in "second or third round comments."

Mr. Jackson asked Mr. Robinson to discuss JP Morgan's liquidity covenant requirement on the project. Mr. Robinson replied that the requirement is not unusual, and expressed confidence in the developer's ability to meet said requirements.

Mr. Jackson asked whether the seller option to extend closing would put closing at late September 2017. Mr. Robinson answered in the affirmative. Mr. Jackson then asked about the impact of that closing on the overall project timeline. Mr. Robinson responded that general contractor pricing holds until November 2017, and reiterated that the aforementioned option to extend closing is the final one available to the seller.

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

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. The motion carried.

V. Consideration of DCHFA's Multifamily Refunding Series 2017 transaction.

DCHFA Treasurer, Pi Tao Hsu presented the following:

Series 2017(A) FHA-Insured Pass-Through Revenue Refunding Bond in an amount not to exceed $40 million to refund all of the outstanding DCHFA Housing Revenue Bonds originally issued to finance the following risk share projects: 1330 7th Street Apartments, J.W. King Senior Center, Hazel Ridge II project, and Westinghouse Apartments.

In total, the proposed financing includes four risk share projects and five series of private bonds.

The net present value savings from the refunding proposed calculated to the state maturity of the loan are estimated to be around $5.4 million with gross present value savings of approximately $6.2 million.

The refunded bond will be offered through public offering and expected to be rated triple A by Moody Investor Service.

The refunding bond will be sold by negotiating sales with Jefferies, which served the transaction as the sole senior manager. The 2017 refunding bonds are expected to be delivered mid-August.

The total request for the Board's approval is an amount not to exceed $40 million.

Ms. Hsu then introduced members of the financing working group on the planned transaction.

Citing the presence of "dynamic finance," Mr. Binitie voiced explicitly for the record his approval of the transaction. Mr. Jackson concurred with Mr. Binitie.

Mr. Binitie 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. Consideration of DCHFA Eligibility Resolution No. 2017-19 for the 1164 Bladensburg Apartments transaction AND consideration of DCHFA Resolution No. 2017-13(G) regarding a McKinney Act Loan Associated with the 1164 Bladensburg Apartments Transaction.

Mr. Binitie suggested, and the Board agreed that both transactions relating to the project at 1164 Bladensburg Avenue receive concurrent consideration.

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

For both in issuance of an $11 million tax exempt bond, and for a $500,000 McKinney Loan for 1164 Bladensburg Apartments:

The property is a 20,000 square foot lot with a small, vacant, boarded up building, retail building with surface parking bonding by Mt. Olivet Road, Eighth Street to the North and West Virginia Ave. to the West.

The proposed development will consist of a new construction, five-story, and mid-rise building with 64 units designated for seniors age 55 and older.

The project will also include supportive housing for formerly homeless seniors and a hundred percent of the units will be affordable with targeted income levels at or below 50 percent AMI.

The principal developer and sponsor of the project is 1164 Bladensburg, LLC, which is controlled through a 70/30 joint venture between Neighborhood Development Company (NDC) and Arten Bladensburg, LLC.

NDC is a certified business enterprise and will be the guarantor for the project along with NDC's principal, Adrian Washington, who is providing a personal guarantee.

In addition to the sponsor, the development team includes Hamel Construction, general contractor; Residential One, management agent; and Grimm + Parker will be the architect of record.

The financing for the project includes acquisition of land and construction of a 59,839 square foot building. Total acquisition cost is $4.3 million. Average unit size is 659 square feet with a total construction cost of $12 million, which translates into $187,000 per unit gross and net construction, $153,000 per unit.

The one-bedroom unit mix consists of 13 units at 30% AMI, 51 units at 50% AMI. And DC Housing Authority (DCHA) has committed to providing operating subsidies, through the local grant settlement programs, for 13 supportive housing units.

The capital stack for the transaction includes $11 million in DCHFA tax exempt loans. $4.1 million is long term, 6.9 will be short term. $6.9 million raised in equity from syndication of four percent LIHTC. $10.8 million in loan from -- subordinate loan from DHCD's Housing Production Trust Fund, and $620,000 deferred developer's fee for a total of $22.5 million.

The lender on the transaction will be JP Morgan Chase. They provide the construction loan and permit loan. The Enterprise Community Investments would also be the tax credit investor who has set the pricing at 97 cents per credit.

Mr. Binitie inquired on the status of the developer’s environment and building permit schedule.

Mr. Adrian Washington, CEO, NDC, responded that the developer is ahead of schedule, and anticipates no problem in advancing the transaction according to the established timeline.

Mr. Binitie then praised the developer for strengthening the transaction by working with the DC Department of Housing and Community Development (DHCD), and after making reference to instruction to staff during closed session, indicated that the transaction still has “a ways to go.”

Mr. Binitie then applauded the involvement of a local development entity (namely NDC) in a DCHFA-financed transaction.   Mr. Irving concurred with Mr. Binitie’s statement.   Mr. Irving then inquired on the proximity of Delta Senior Residences (i.e., Delta Towers Apartments) to the subject site. Mr. Washington responded, roughly 1/2 mile. Mr. Irving inquired whether residents of the subject project and Delta Towers might frequently move from one project to the next. Mr. Washington replied that the tenant type due to age range is prone to remain in place, and that the high demand for age 55 and over housing does not necessitate a strategy whereby tenants are enticed away from other properties (i.e., Delta Towers).

Mr. Jackson asked whether the 50% AMI affordability threshold is cost prohibitive for seniors, and whether the project can be characterized as “pioneering.” Mr. Washington responded that the quality of the product will attract tenants and keep the property occupied. He also agreed that the project is a pioneering one, but that status will likely change given the pipeline of planned developments in the area.

Ms. Miller asked whether there is a planned increase in the number of units at the project to receive Local Rent Subsidy Program (LRSP) subsidy. Mr. Jordan Bishop of consultant Audubon Enterprises responded that enhanced LRSP subsidy is an option that the developer will explore in the future.

Mr. Binitie called for a motion to approve both resolutions.

A motion to approve the resolutions was made by Mr. Jackson and seconded by Mr. Irving. Mr. Lee then took a roll call vote. All present members voted in the affirmative. The motion carried.

VII. Executive Director's Report

- Elvans Road transaction groundbreaking was scheduled for August 3, 2017.
- The Agency plans to reach out to the Board to conduct an afternoon session to discuss project pipeline, and planned Risk-share product launch.

VII. Adjournment

Mr. Binitie called for a motion to adjourn.

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 7:34 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on September 12, 2017.

Approved by the Board of Directors on September 12, 2017.