DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING
August 8, 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 5:34 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: Buwa Binitie, Stephen M. Green, Sheila Miller,

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

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

The motion based by a chorus of ayes, with express recusal by Mr. Binitie who as absent from the July 11, 2017 meeting.

Stanley Jackson joined the meeting telephonically immediately after approval of the minutes.

III. Vote to close meeting to discuss the approval of the Brookland Place Apartments transaction, the Ainger Place Apartments transaction, a McKinney Act loan associated with the Ainger Place Apartments, and an equity investment through the Agency's Housing Investment Platform Single Family Pilot Program for the E Street Townhomes project.

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 Brookland Place Apartments transaction, the Ainger Place Apartments transaction, a McKinney Act loan associated with the Ainger Place Apartments, and an equity investment through the Agency's Housing Investment Platform Single Family Pilot Program for the E Street Townhomes project. 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. Jackson, seconded by Mr. Green and was followed by a chorus of ayes.

The meeting was closed by unanimous consent at 5:39p.m and resumed at 6:54p.m.

IV. Consideration of DC HFA Eligibility Resolution number 2017-20, Brookland Place Apartments transaction

Bobvala Tengen, DCHFA Multifamily Loan Underwriter presented the following:

- DCHFA staff recommended adoption of DCHFA Eligibility Resolution for the Brookland Place transaction in the amount not to exceed $12.5 million.
- The principal developer and Sponsor of the project is Wesley Housing Development Corporation
- Additional members of the development team include:
  - Monarch as the General Contractor, Stoiber+Associates as the Architect of Record and
  - Wesley Property Management Company as the Management Agent
- The Project will be located at 617 Hamlin Street NE, 621 Hamlin Street NE, 625 Hamlin Street NE, 629 Hamlin Street NE, 633 Hamlin Street NE, 637 Hamlin Street NE, 641 Hamlin Street NE, 643 Hamlin Street NE, 2908 7th Street NE, 2912 7th Street NE, 2916 7th Street NE, 2920 7th Street NE and will consist of the acquisition, rehabilitation and construction of a 12 midrise building which consists of 80 units. The floor plan will also be reconfigured at 617 Hamlin Street to create (6) two bedroom units and (6) efficiency units and construct a new management office, community room and accessible laundry facility.
- The total Project development cost will be approximately $22.05 million or (approximately $276,000 per unit). The Sponsor plans to complete a substantial renovation and has estimated a gross construction budget of approximately $9.2 million or $115,399 per unit.

Construction

- Construction period is estimated to be 18 months.
- The Agency anticipates closing on this transaction in January 2018.

Financing

- The total Project development cost of approximately $22.05 million will be financed with short term tax exempt obligations, a loan from the DC Department of Housing and Community Development (DHCD), Low Income Housing Tax Credit (LIHTC) equity and deferred developer fee.
- The investor, SunTrust Community Capital, is anticipated to purchase tax credits at a rate of $1.00 per $1.00 of credit yielding a LIHTC equity contribution of $7.2 million
- The Sponsor has received an award letter stating they are willing to provide Housing Production Trust Fund Financing in an amount not to exceed $8,825,000. DHCD projects they will take this project to loan committee in August 2017.

The capital stack is as follows:

- $10.1 million in tax exempt obligations ($4,923,717 in short term and $5,147,383 in long term)
- $7.2 million in equity raised through syndication of LIHTCs
- $916,892 in deferred developer fee

Operations:

100% of the units will be set aside for households at or below 60% of AMI for both bonds and tax credits. 15 units will be reserved for individuals at or below 30% of AMI and 65 units will be reserved for individuals at or below 60% of AMI per agreement with DC Housing Authority (DCHA) and DHCD.

With respect to the Program

- The bedroom mix is as follows
  - (6) efficiency units
  - (68) 1 BR
  - (6) 2 BR

Project Economics

The projected gross potential revenue for the project is $991,332 DCHFA staff assumed a 5% vacancy for an effective gross income of $953,165. Total operating expenses of $560,768 or approximately $7,010 per unit. The project's net operating income is $392,397.

Mr. Tengen turned the presentation over to Shelley Murphy, President and CEO of Wesley House Development Corporation (Wesley). After expressing her gratitude to members of the Wesley House staff who worked on transaction, Ms. Murphy turned the presentation over to Kamilah McAfee, Wesley Director of Real Estate Development who provided an extensive overview of the financial and architectural components of the transaction, including most notably the retention of screened porches.

Mr. Green inquired on the presence of the screened porches in the presented renderings. Ms. McAfee acknowledged that the rendering was unclear with regard to the feature, but sought to assure the Board of its presence. Mr. Binitie provided his assessment of the porch as a covered balcony.

Mr. Binitie inquired on the nature and status of the developer's tenant relocation plan. Ms. McAfee explained that Wesley is holding open vacancies and residents who moved in under Wesley's tenure are on short-term leases with month-to-month notices for relocation. As of the presentation, there were seven vacancies, with the need for 18 or 19 in total at time of construction. Tenants' relocation will last for a period of two to three months. However, one building ("617") may require four month relocation periods due to the extensive nature of planned renovation. Ms. McAfee indicated that Wesley maintains a board member relationship with a market-rate multifamily property owner in the area with whom it has begun conversation about master leasing space for relocated tenants.

Mr. Binitie inquired on whether internal utilities will be turned off. Ms. McAfee responded in the affirmative. She then discussed an ongoing survey to identify existing tenant circumstances relevant to relocation (e.g. families with school-age children, hoarders). Mr. Binitie expressed the importance of catering to families with children attending school in the area.

Mr. Binitie inquired on Certified Business Enterprise (CBE) outreach. Ms. McAfee discussed meeting with the DC Department of Small and Local Business, and stated that the project architect and interior designer are CBEs. She went on to state that the project general contractor has experience with meeting District CBE requirements.

Mr. Green citing his contemporaneous Google Maps search, indicated that he could not identify the afore discussed screened-in porches. Mr. Tengen explained that the porches were not likely viewable online, as they are located at the rear of the property. Mr. Tengen then promised to deliver pictures of the porches to the Board, which Mr. Binitie noted for the record.

Mr. Binitie provided Mr. Green with an image that he (Mr. Green) was able to examine up-close. Mr. Green was then able to identify the presence of the screen, which he described as "translucent." Mr. Binitie stated for the record that Mr. Green was now "satisfied" with regard to his ability to recognize the screens.

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

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

V. DC HFA Eligibility Resolution number 2017-21, Ainger Place Apartment transaction, and DC HFA Resolution number 2017-14gm, a McKinney Act loan associated with Ainger Place Apartments.

Carrie Fischer, DCHFA Multifamily Loan Underwriter presented the following:

- The Principal Developer and Sponsor of the project is Ainger Place Associates, LLC, which is controlled by Ainger-Michaels, LLC, an affiliate of Michaels Development Company, and Ainger Place Development Corporation, a nonprofit entity affiliated with Emmanuel Baptist Church of South East Washington. Michaels Development Company I, LP will be the guarantor for the Project.
- In addition to the Sponsor, the development team includes:
    - Bozzuto Construction Company who will be the general contractor
    - Interstate Realty Management will serve as the Property Management agent
    - and Kitchen & Associates is the architect of record, and McKissack & McKissack will be the local architect for the Project and provide guidance and quality control related to applicable local codes and standards.
- Project will be located at 2410-2412 Ainger Place in the Randall Heights neighborhood of Southeast Washington, DC.
- The property is currently improved with a 24-unit partially occupied apartment building that will be demolished to make way for a new 3-story, 72-unit apartment building.
- All of the tenants in the existing building will be permanently relocated by the end August, and the tenants will have the option to return once the Project is completed.

- The estimated construction schedule is 19 months and estimated lease up schedule is six months. The lease up schedule is based on an estimated absorption of 12 units per month.

Financing

- The acquisition and construction of the Project, which is estimated to cost $27 million, will be financed by a combination of tax exempt bonds issued by DCHFA, a FHA Insured 221(d) 4 loan, proceeds from the syndication of 4% LIHTC, a subordinate loan from the DC Department of Housing and Community Development's Housing Production Trust Fund, DC PACE, a land promissory note, and deferred developer fee.

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

- The LIHTC syndicator, Riverside Capital, is anticipating a LIHTC purchase rate of $0.97 per credit for an estimated equity amount of $9.4 million

- The total permanent capital stack is as follows:
    - $5.5 million FHA 221(d)4 loan
    - $10.6 million in subordinate debt from DCHD's HPTF
    - $9.4 million in equity generated through the syndication of LIHTC
    - $500,000 from DC PACE
    - $384,000 from a land promissory note
    - $672,000 in deferred developer fee

Program

- The Project will consist of 72 units of which: **34** are One Bedroom units, **30** are Two Bedroom units, and **8** are Three Bedroom units. Eighteen of the units will receive Low Rent Supplement Program (LRSP) subsidy, eight of which will be set-aside as permanent supportive housing units for formally homeless women.

- The Project was underwritten using 2017 LRSP rent levels, however, based on feedback received form the DCHA after the Board Package distribution the LRSP underwritten rents will need to be adjusted. The Sponsor has started working through this and will need to restructure the deal a needed prior to final bond approval.

- Open Arms Housing will be engaged in comprehensive case management for the PSH tenants and Better Tomorrows will be the general 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 20% of units at 50% of AMI test.

McKinney Act Loan

- The Sponsor is also requesting a McKinney Act Predevelopment loan that will be used towards soft cost related to the predevelopment work associated with the Ainger Place transaction. The $1.46 million predevelopment budget will be financed by a $700,000 McKinney Act Loan and $762,375 in developer equity. Three units will be subject to the McKinney Act very low income restrictions (50% AMI) for a ten year period.

Ms. Fischer then opened the meeting to the development team whose members introduced themselves (Paull Blackman, JLL, Kenneth Crawford, Chief Operating Officer, Michaels Development Company (Michaels), Terry Gould, Ainger Place Development Corporation (APDC) and Emmanuel Baptist Church, Vandana Sareen, Primary Developer)

Mr. Gould and Mr. Crawford provided an extensive overview of the project history, including the process by which Michaels became affiliated with the project. Mr. Binitie inquired on the status of the arrangement with Michaels. Mr. Gould and Ms. Sareen confirmed that a joint venture agreement had been executed. Ms. Sareen specified that Michaels is the lead developer.

Mr. Binitie inquired on the person/firm legally representing Emanuel Baptist Church. Mr. Gould responded that one John Dalton is the project attorney. When pressed by Mr. Binitie Mr. Gould conceded that the aforementioned church is not independently represented by counsel. Mr. Binitie advised Mr. Gould that Emmanuel Baptist Church should secure legal counsel. Mr. Green asked whether APDC has retained counsel. Mr. Gould responded that the church is currently interviewing attorneys to provide representation on the transaction. Mr. Binitie expressly encouraged that action.

Mr. Binitie requested summary of the tenant relocation plan at the site. Ms. Sareen indicated that the developer provided a Uniform Relocation Act plan to DHCD, which it approved in 2016. 14 residents occupied the building at the time of application. Relocation was initiated in the fall of 2016. Changes in the equity market stalled the project and relocation was halted in 2016 and reinitiated in summer 2017. Currently, seven families remain, and the final four were expected to relocate by the end of July 2017. Mr. Binitie asked whether tenants were being relocated to different properties. Ms. Sareen responded in the affirmative, adding that relocation is based on choice. Mr. Binitie asked whether rent differentials are being met by the developer. Ms. Sareen responded in the affirmative. Mr. Binitie asked whether the developer remains in contact with relocated tenants and inquired on the length of the construction period. Ms. Sareen responded 15 months, adding that relocated tenants will be tracked and provided first option to apply to return to the property at marketing.

Mr. Binitie inquired on other issues of note. Ms. Sareen discussed the existence of a $1.7 million funding gap caused by a downturn in the tax credit equity market since original deal conception, and that the developer has approached DHCD to fill that gap. Mr. Binitie inquired on tax credit pricing. Mr. Crawford responded 96-97 cents per the developer's syndicator, down from $1-$1.05 at project conception. After some discussion about the state of the current tax credit equity markets, Mr. Binitie instructed the developer to seek an increase in LI HTC pricing. Mr. Green concurred, and maintained that current market pricing is indeed higher than that presented by the developer.

Mr. Binitie inquired on the status of building permits at the site. Mr. Blackman responded that permit applications were submitted and a meeting with the DC Department of Consumer and Regulatory Affairs (DCRA) was scheduled for the August 9, 2017. Mr. Binitie inquired on the status of environmental permitting. Mr. Blackman responded that the developer was in the submission/intake process with DCRA. Mr. Binitie discussed that the environmental permitting process spans roughly five months. Ms. Sareen refreshed Mr. Blackman's recollection that submission was been completed.

Mr. Binitie inquired on the source of savings under the Property Assessed Clean Energy (PACE) component of the transaction. Ms. Sareen indicated that energy savings on the process will derive from solar panels tied to master metered common areas and water savings. When asked about the source of water savings, Ms. Sareen was unclear but made reference to inquiring with a technical expert on the project.

Mr. Green inquired on the purpose of PACE in the face of FHA underwriting to lower utility cost. Ms. Sareen admitted that she did not have an answer to Mr. Green's question. Mr. Green proceeded to state that more proceeds would derive from an FHA loan underwritten to energy savings than though PACE. Mr. Binitie concurred. Ms. Sareen indicated that the developer examined enhanced FHA financing, but appraisal and related loan-to-value foreclosed that option.

Ms. Sareen indicated that PACE provides guaranteed financing on deeper utility savings, where FHA does not.

Mr. Binitie asked whether the developer reached out to CBE's and DSLBD. Mr. Blackman responded Business Development Specialist with that Agency, Patricia Harrison. Mr. Blackman discussed ongoing outreach to general contractors. Mr. Green inquired on the identity of an already-selected contractor. Mr. Blackman responded, Esposito.

After some discussion on the CBE eligible cost, and the pool of available CBEs, Mr. Binitie directed the developer to ready a more complete CBE course of action, as Board Member Bryan "Scottie" Irving will likely probe deeply into the matter at Final Bond Resolution. Mr. Blackman stated his estimate of roughly 40 percent CBE participation.

With regard to the McKinney Act Loan application on the project, Mr. Binitie stated the Board's decision to approve $500,000 of the developer's requested $700,000.

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.

VI. DCHFA Resolution number 2017-15g regarding an equity investment through the Agency's Housing Investment Platform Single Family Pilot Program for the E Street Townhomes project

The Agency recommends approval and adoption of a DCHFA Resolution for an equity investment not to exceed $875,000 to the agencies Housing Investment Platform and to E Street Townhomes.

This will be the second investment under DCHFA's HIP platform, and the second one also under the Single Family Investment Pilot and also with the developer. The principal sponsor of the project is H2 Development, LLC, a recently formed entity controlled by Harvey Yancey and Tony Hudson.

The project consists of 15 townhomes located in Marshall Heights, and the townhomes will be priced affordable to workforce households. HIP and H2 Development, LLC will form three joint venture entities with H2 Serving as the managing member and HIP serving as the investment member.

HIP will provide 80% of the equity, up to $875,000 and the sponsor will provide the balance of the required equity for the project. HIP and the sponsor will receive a preferred nominal rate of return of 6% on investment equity, and returns above the preferred return will be distributed 80% to the developer and 20% to HIP.

The townhomes are projected to sell in the low $400,000s; a price point that combined with its slate of single family products makes quality home ownership affordable to workforce families.

The developer is also working with the DC Department of Consumer and Regulatory Affairs (DCRA) to develop an associated pre-apprenticeship program. The project is underwritten at an 80% loan to cost, which is below the 85%, which are terms quoted by City First Bank on phase one of the project.

The project will have an Internal Rate of Return (IRR) for HIP of 8.96% which is in the Agency's target IRR range.

Mr. Yancey and Mr. Hudson currently operate H2 Design Build (H2) which is a full service design and construction firm. That will also be the general contractor on the project. And H2 Design Build was recently approved as a CBE and DCE with SBE points.

Mr. Miller turned the presentation over the Mr.Yancey.

Mr. Yancey discussed H2's desire to bring affordable housing to the District's Marshall Heights community.

Mr. Binitie requested additional information on the firm related to total output. Mr. Yancey indicated that H2 has completed work on over 100 properties since firm inception, and has been publicly recognized for its work. He stated that current output is 20-25 projects (subsequently specified through Mr. Green's inquiry as "houses") per year.

Mr. Green asked whether stated output is inclusive of the units under consideration. Mr. Yancey responded in the negative. When asked whether output and overhead would be doubled with the addition of the HIP properties, Mr. Yancey responded in the affirmative to the initial question and in the negative to the latter, explaining that output will be managed through a relationship with a CBE partner and overhead controlled through what Mr. Yancey described as an administratively "tight ship."

Mr. Binitie asked for H2's rationale for purchasing the development site. Mr. Yancey provided the history of negotiation and sale with the previous owner, and cited market changes and development pipeline in the Marshall Heights Community.

Mr. Binitie applauded H2s selection of the Marshall Heights market. He also noted the Agency's ongoing development of lending policy, but expressed the Board's desire for the E Street transaction to move forward nevertheless.

Mr. Yancey spoke to the logistical benefit of a phased project. Mr. Green asked for clarification. Mr. Yancey explained that H2 is in the practice of securing buyers before construction such that homes are readied for purchase upon completion. Mr. Green inquired on the size of each phase. Mr. Yancey responded 5 homes. Mr. Binitie requested a more granular description of phasing, which Mr. Yancey provided.

Ms. Miller asked whether phased construction will continue regardless of pre-sale success. Mr. Yancey expressed his confidence that unsuccessful "residual" buyers from earlier phases will be in-cue to purchase subsequently constructed units.

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

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

VII. Executive Director's Report

- Mr. Lee provided a recap of the Elvans Road transaction groundbreaking that occurred August 3, 2017.
- Mr. Lee announced Agency staff changes involving the consolidation of the Agency's multi-family production and multi-family asset management departments under Agency Senior Vice President Chris Donald's supervision, and Risha William's shift to the Agency's newly created position of Senior Director of Community Engagement. Mr. Lee the discussed the importance of Ms. William's role in managing globally, issues related to the Agency's current portfolio. Mr. Lee then discussed Mr. Tengen's promotion to Multifamily Loan Underwriter.

VIII. Adjournment

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 8:04 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.