

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

April 22, 2024

3:00 p.m.

Minutes

Join Zoom Meeting

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I. Call to order and verification of quorum.

District of Columbia Housing Finance Agency (“DCHFA” or the “Agency”) Board Chairperson, Mr. Stephen Green, called the meeting to order at 3:00 p.m. and asked the Secretary to the Board of Directors (the “Board”), Mr. Christopher Donald, to verify a quorum. The Board reached a quorum and the meeting continued.

The following members were present via Zoom: Mr. Stephen Green, Mrs. Heather Wellington, Mrs. Carri Robinson, Mr. Bryan “Scottie” Irving, and Mr. Stanley Jackson.

II. Vote to close meeting to discuss The Clara on Martin Luther King Supplemental Bonds, the Agency’s 2024 Master Inducement Resolution, and NoMa-Union Market Affordable.

Mrs. Robinson made a statement for the record recusing herself from the discussion and vote of The Clara on Martin Luther King Supplemental Bonds. Mrs. Robinson did not participate in the discussion or vote on the matter.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson of the Board of Directors called for a motion 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 Clara on Martin Luther King Supplemental Bonds, the Agency’s 2024 Master Inducement Resolution, and NoMa-Union Market Affordable**. An open meeting would adversely affect matters related to the Agency. (Code §2-575(b)(2)).

Mr. Green called for a motion to close the meeting. Mr. Jackson made a motion to close the meeting. The motion was properly seconded by Mr. Irving. The motion passed by a chorus of ayes.

The meeting was closed at 3:10 p.m. and re-opened at 3:46 p.m.

III. Consideration of The Clara on Martin Luther King Supplemental Bonds.

Mr. Scott Hutter, Director, Multifamily Lending and Neighborhood Investment (“MLNI”), presented the transaction to the Board. MLNI presented its recommendation to approve a supplemental bond inducement resolution in an amount not to exceed \$2,040,000 to cover an increase in the aggregate basis and to ensure that The Clara (the “Project” or “Development”) passes the fifty percent (50%) test.

The Project is located in Anacostia approximately two-tenths of a mile northeast of the Anacostia Metro. The Project is a six (6) story newly constructed building with eighty-one (81) affordable units at thirty percent (30%) and fifty percent (50%) of Area Median Income (“AMI”). The unit mix of the Development consists of six (6) studio units, twenty-seven (27) one-bedroom units, twenty-four (24) two-bedroom units, and twenty-four (24) three-bedroom units.

Novogradac & Company drafted a preliminary fifty percent (50%) test, which as of March 21, 2024 demonstrated that only forty-six percent (46%) of the aggregate basis is funded with tax-exempt bonds; thus, the Project is failing the fifty percent (50%) test.

The MLNI staff recommends a supplemental bond issuance of \$1,850,000, increasing the total bond amount to approximately \$21.6 million in order to provide the Project with enough bonds to pass the fifty percent (50%) test.

Mr. Hutter completed the presentation, opened the floor for questions and introduced representatives from the Development team present on the Zoom call: Omar Karim, Banneker Ventures, Gregory Fields, Medina Life, and Iman Smallwood.

There were no questions.

Mr. Green called for a motion to approve the inducement resolution for the supplemental bond issuance for The Clara. Mr. Irving made a motion to approve the resolution and it was properly seconded by Mrs. Wellington. Mr. Donald took a poll vote. The resolution was unanimously approved.

IV. Consideration of the DCHFA Master Inducement Resolution No. 2024-03.

Mr. Marcus Ervin, Senior Vice President, Multifamily Lending and Neighborhood Investment (“MLNI”), presented the transaction to the Board. MLNI presented the Agency’s 2024 Master Inducement Resolution for approval to advance the underwriting and approval process for ten (10) housing developments.

The American Rescue Plan Act (“ARPA”) funds are set to expire on December 31, 2024. ARPA funds are essential to helping to meet the Mayor’s goal of creating twelve thousand (12,000) affordable housing units by the year 2025. MLNI’s proposed resolution will enable the Agency to optimize the use of the funds and guaranty certainty of execution on the tax-exempt bonds within FY 2024.

Approximately \$350,000,000 in ARPA funds was allocated to the District, of which \$170,000,000 remains. Through the Department of Housing and Community Development (“DHCD”) Housing Production Trust Fund (“HPTF”), the funds are slated to provide financial assistance to key housing developments within the District. The funds are set to expire at the end of 2024; thus, action is necessary to use these resources to their capacity.

The execution of the resolution will provide the Agency with a certain path for execution of the transactions. The Council of the District of Columbia (“Council”) has a summer recess runs from July 15, 2024 through September 15, 2024. Due to the timing of the execution and approval of the memorandum of agreement (“MOA”), there is not enough time for the Agency to move the transactions through its ordinary process. If the transactions proceeded through the normal process, it is unlikely that the projects would be approved by the end of FY 2024, potentially risk being pushed into FY 2025.

Agency staff will return to DCHFA Board of Directors for individual credit reviews for each transaction. The Master Inducement Resolution replicated a strategy utilized in 2018 for the COB, to allow for an approach that reduces closure times between inducement to final closing.

The MLNI staff seeks approval for the Agency’s Master Inducement Resolution.

Mr. Ervin completed the presentation and opened the floor for questions.

There were no questions; however, Mr. Green commented that the previous COB was induced so the tax-exempt bonds would not be lost rather than due to execution time.

Mr. Green called for a motion to approve the Agency's Master Inducement Resolution. Mrs. Robinson made a motion to approve the resolution and it was properly seconded by Mr. Jackson. Mr. Donald took a poll vote. The resolution was unanimously approved.

V. Consideration of DCHFA Final Bond Resolution No. 2024-02 for NoMa-Union Market Affordable.

Mr. James Grisham, Multifamily Loan Underwriter, Multifamily Lending and Neighborhood Investment ("MLNI"), presented the transaction to the Board. MLNI presented its recommendation to authorize the issuance of tax-exempt bonds in an amount not to exceed \$52,500,000 for NoMa Union Market Affordable (the "Project" or "Development").

The Project was initially presented to DCHFA Board of Directors on April 9, 2024 for final bond however, the transaction was deferred in order to address the Sponsor's property management business plan. The Board's primary concern was for staff to have experience and familiarity with the District's landlord-tenant laws. The sponsor's current plan is to self-manage the Project with NRP Management as the property manager. Once construction has been completed, the sponsor will hire a regional management company to oversee the Project. The Agency will review the management company's tenant screening process and meet with the sponsor team to understand its lease-up strategy. Additionally, NRP Management has retained local counsel to provide advice. The Agency will also have the final approval over the selection of the property management company.

Mr. Grisham completed the presentation, opened the floor for questions and introduced representatives from the Development team present on the Zoom call: Chris Marshall, NRP Group, Erick Waller, President of NRP Property Management, Phillip Boatwright, Executive Vice President of NRP Property Management, Miki Welker of NRP Property Management, Babatunde Oloyede, President and CEO of Marshall Heights Community Development Organization ("MHCDO"), Cary Henry, NRP Construction, Trey O. Baker, NRP Construction, Nathan Polidori, NRP Group, and Bridget McCarthy, BMAC Consulting.

Mrs. Wellington asked about the construction schedule and what steps the Development team was taking to mediate cost escalations and risk. Mr. Henry stated that they are in the process of working with their upfront trades to get Letters of Intent ("LOI") processed. This would allow them to begin their shop drawings and bring them closer to locking in their pricing.

Mrs. Wellington asked if they were looking at any early releases for long lead items. Mr. Henry responded in the affirmative, specifically for an electric gear and switchgear. Mr. Henry stated they are working to get an electrician under an LOI and get the order placed roughly six weeks from today. Mr. Green asked when they would get their switchgear. Mr. Henry stated that the switchgear is now tracking a lead time of forty-eight to fifty-six weeks.

Mr. Jackson asked about their strategy and vision for property management. Mr. Waller responded that they understood that the District is a nuanced market with numerous challenges such as landlord-tenants law. The Development team plans to start up their operations earlier than usual.

Mr. Waller mentioned the Development team's experience of expansion between several markets over a thirty (30) year period.

Mrs. Robinson asked how they have historically approached bad debt and collections due to tenant delinquency and if a stress test had been performed. Mr. Waller responded they take an upfront and proactive approach following their policies and procedures and collaborating closely with their landlord-tenant attorneys to make sure no steps are missed.

Mr. Waller stated a huge part of delinquency begins on the front end, conducting proper tenant screening and making sure that tenants meet the qualifications. He stated that taking precautions during the lease-up process helps to mitigate risks to prevent some issues of delinquency. Mr. Waller noted that they would be working with the Board to draft a formal qualification process that aligns with the Board's expectations and the District's nuances. He also stated they are using a newer platform, Yardi Screening Works, to prevent against the rise in fraud that has been seen in the industry.

Mr. Polidori also mentioned in the underwriting they are assuming a seven percent (7%) vacancy, which includes some bad debt based on their appraisal and the comps surrounding their project.

Mrs. Robinson asked about the sponsor's insight into the District's eviction process. Mr. Waller responded the sponsor consulted with a District attorney, Andrew Palanzi, before doing business in the District. Mr. Palanzi has ten (10) years of experience in the District with a specific focus on affordable housing. Mr. Palanzi will conduct a full day of training with the community manager, regional manager, operations team, risk management team six months prior to the opening of the Project to make sure all parties are properly trained.

Mrs. Robinson asked about the background of the expenses carried for operating expense in the pro forma and how it compares to other projects. Mr. Waller stated that based the numbers on their underwriting experience in other expensive markets and landlord-tenant friendly markets, such as New York and New Jersey. Mr. Waller stated the numbers are a bit higher than expected and higher than the New York and New Jersey markets.

Mr. Jackson asked the sponsor's approach to identifying a local project manager. Mr. Marshall responded that is a top priority for their management company to have local knowledge. Mr. Boatwright also responded that it is imperative to have a local, strong, A+ talent in this market. Mr. Boatwright stated that since they have been involved in the District, they have taken the approach to make sure they are getting local talent. Mr. Boatwright also stated that with NRP being a developer and a construction group, they are able to establish ways to make sure they are connecting with this talent.

Mrs. Wellington asked when they are looking to start construction. Mr. Henry responded they expect to start two weeks after closing. Mrs. Wellington asked how far along they were in hiring a local construction project manager. Mr. Henry stated that it was already completed. They hired an individual that recently completed a project across from their job site, The Burton. Mrs. Wellington asked whether it was located in the District. Mr. Henry responded in the affirmative.

There were no further questions.

Mr. Green called for a motion to approve the final bond resolution for NoMa Union Market Affordable. Mrs. Wellington made a motion to approve the resolution and it was properly seconded by Mr. Jackson. Mr. Donald took a poll vote. The resolution was unanimously approved.

VI. Other Business.

There was no other business.

VII. Executive Director's Report.

There was no Executive Director's Report.

VIII. Adjournment.

Mr. Green called for a motion to adjourn the meeting. Mr. Jackson made a motion to adjourn the meeting, which was seconded by Mrs. Wellington.

Mr. Donald took a voice vote. The motion passed by a chorus of ayes.

The meeting was adjourned at 4:13 p.m.

Submitted by Christopher E. Donald, Secretary to the Board of Directors on May 24, 2024.