DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
MEETING OF THE BOARD OF DIRECTORS
February 14, 2023
5:30 p.m.
Minutes

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I. Call to order and verification of quorum.

District of Columbia Housing Finance Agency ("DCHFA" or the "Agency") Board Vice Chairperson, Mr. Stephen Green, called the meeting to order at 5:35 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, Mr. Bryan "Scottie" Irving, Mr. Stan Jackson and Ms. Heather Wellington.

II. Vote to approve the minutes from the January 10, 2023 Board Meeting.

A motion was called to approve the minutes of the January 10, 2023 board meeting by Mr. Green. Ms. Wellington made a motion to approve the minutes. The motion was properly seconded by Mr. Irving. Mr. Donald took a voice vote. The motion passed by a chorus of ayes.

III. Vote to close meeting to discuss Alabama Avenue Apartments and The Villages at East River.

Pursuant to the District of Columbia Administrative Procedure Act, the Vice Chairperson of the Board of Directors 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 **Alabama Avenue Apartments and The Villages at East River**. An open meeting would adversely affect matters related to the Agency. (D.C. Code §2-575(b)(2)).

Mr. Green called for a motion to close the meeting. Ms. Wellington 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 5:38 p.m. and re-opened at 6:03 p.m.

IV. Consideration of DCHFA Final Bond Resolution No. 2023-03 for Alabama Avenue Apartments.

Mr. Scott Hutter, Director, 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 $24,840,000 for Alabama Avenue Apartments (the "Project" or "Development").

The Project is in the Garfield Heights neighborhood of Ward 8 in Southeast Washington, D.C. The Project is located approximately 1.7 miles from the Congress Heights Metro Station and a local bus stop is located adjacent to the Project site. The Project is within walking distance of the newly constructed Crest at Skyland Town Center, which includes a grocery store, pharmacy, and many additional retailers.

The Project is currently improved with a two-story vacant church, which will be demolished. The Project will be a new construction development with eighty-six (86) units. The unit mix of the proposed Project will be thirty-two (32) one-bedroom units, twenty-eight (28) two-bedroom units, and twenty-six (26) three-bedroom units.

Eighteen (18) units at the Project will be Permanent Supportive Housing ("PSH") units that will operate with Local Rent Supplement Program ("LRSP") subsidies restricted at thirty percent (30%) of Area Median Income ("AMI"). Additionally, the Project will also offer sixty-eight (68) non LRSP units restricted at fifty percent (50%) and sixty percent (60%) of AMI.

This Project is a private placement transaction. The capital stack for the Development will consist of permanent financing in the approximate amount of $9.88 million as an R4 Capital LLC permanent mortgage loan, a $12.88 million Department of Housing and Community Development ("DHCD") Housing Production Trust Fund ("HPTF") loan, $18.34 million in federal low-income housing tax credit ("LIHTC") equity, $3.62 million in DC LIHTC equity, a $2.29 million Deferred Developer Fee, a $1.2 million Seller Note, $580,000 in DHCD accrued interest, and $142,000 in solar investment tax credits.

The total development cost for the Project is $48,920,411 or $568,842 per unit, inclusive of acquisition debt repayment, hard and soft costs, developer and financing fees, reserves, and escrows.

Enterprise Community Development, Inc. and Durrani Development Corporation are co-developers. Other members of the development team consist of Audubon Enterprises as development consultant, Hamel Builders, Inc. as general contractor, GPS Designs and Architecture ("GPS") as architect, and Residential One as property manager.

Mr. Hutter concluded the presentation, opened the floor for questions and introduced Oussama Saoudi from Gregg Cardona Partners, Mustafa Durrani from Durrani Development, Shelynda Brown from Enterprise Community Development, Praj Kasbekar from Durrani Development, and Jordan Bishop from Audubon Enterprises.

Mr. Green asked about the breakdown of the building. Mr. Bishop responded that twenty-six (26) of the eighty-six (86) bedrooms are three bedrooms and the rest are two bedrooms. Mr. Jackson asked about Mr. Durrani's thoughts on the community. Mr. Durrani responded that the developer is integrated with local business partners and the Area Neighborhood Commission ("ANC"). Ms. Wellington inquired about the construction schedule. Mr. Bishop responded that there is a plan to issue a notice to proceed within ten (10) days of the transaction closing and that stabilization is expected to occur fifteen (15) months from completion.

There were no further questions.

Mr. Donald called for a vote to approve DCHFA Final Bond Resolution No. 2023-03 for the Alabama Avenue Apartments. Mr. Jackson made a motion to approve the resolution and it was properly seconded by Ms. Wellington. Mr. Donald took a poll vote. The resolution was unanimously approved.

V. Consideration of DCHFA Final Bond Resolution No. 2023-02 for Villages at East River.

Ms. Linda Hartman, Senior 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 $43,335,000 for the Villages at East River (the "Project" or "Development").

The Project is an acquisition and rehabilitation of a family-tenancy scattered site development. The sixteen (16) sites are located in the Anacostia, Fort Dupont Park, and Marshall Heights neighborhoods of Wards 7 and 8 in Southeast, Washington, D.C. A significant portion of the sites are contiguous. All of the sites are located within walking distance of local bus stops.

The Project's in-unit amenity package includes range/oven, refrigerator, garbage disposal, and luxury vinyl – hardwood style flooring. Property amenities at the Project include central laundry facilities, on-site management at 305 37th Street SE, and ninety (90) on-site surface parking spaces.

The unit mix of the Project is seventy-four (74) one-bedroom units and one hundred twenty-eight (128) two-bedroom units. The current Area Median Income ("AMI") restrictions at the Project are fifty percent (50%) and sixty percent (60%). One of the Project buildings has a 20-year Housing Assistance Payment ("HAP") contract. Post-renovation, the number of units and unit mix at the Project will not change. However, the AMI restrictions will slightly change as the renovated units will be restricted at thirty percent (30%), fifty percent (50%), and sixty percent (60%) of the AMI.

This Project is being evaluated as a private placement transaction. The subordinate debt for the transaction includes a DHCD HPTF loan. The National Affordable Housing Trust ("NAHT") is the federal LIHTC investor for the Project, while Sugar Creek Capital is the DC LIHTC investor for the Project. The total development cost is $96 million, or $475,000 per unit.

The members of the development team consist of IBF Development and NHT Communities as Project sponsors, Hamel Builders as general contractor, Miner Feinstein Architects as architect, and The Franklin Johnston Group as property manager.

Ms. Hartman concluded the presentation, opened the floor for questions and introduced Jeff Moelis from L+M Development Partners, Robert Richardson from IBF Development, and Kevin White from NAHT.

Mr. Green asked about the scope of the rehabilitation. Mr. Richardson discussed the substantial rehabilitation and indicated that it is a deep renovation. Mr. Green asked about how tenants can pay their rent. Mr. Richardson stated that tenants can pay their rent at other NHT managed properties in order to avoid inconvenient travel. Mr. Jackson inquired about the security plan. Mr. Richardson responded that the tenants will be actively involved in the evaluation and selection of the security company.

There were no further questions.

Mr. Irving went off camera and was temporarily unavailable and did not vote on the transaction.

Mr. Donald called for a vote to approve DCHFA Final Bond Resolution No. 2023-02 for the Villages at East River. Mr. Jackson made a motion to approve the resolution and it was properly seconded by Ms. Wellington. Mr. Donald took a poll vote. The resolution was unanimously approved.

Mr. Irving returned to the meeting. Mr. Irving made a statement on the record that he was recusing himself from the Villages at Parklands transaction. He stated that while he has no direct financial benefit in the transaction, he is involved on a different deal with the developer of the Villages at Parklands. Mr. Irving exited the meeting and did not return. He did not discuss Villages at Parklands, nor did he vote on the transaction.

VI. Vote to close meeting to discuss Villages at Parklands – Huntington Village and Orchard Park.

Pursuant to the District of Columbia Administrative Procedure Act, the Vice Chairperson of the Board of Directors 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 **Villages at Parklands – Huntington Village and Orchard Park**. An open meeting would adversely affect matters related to the Agency. (D.C. 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 Ms. Wellington. The motion passed by a chorus of ayes.

The meeting was closed at 6:32 p.m. and re-opened at 7:09 p.m.

VII. Consideration of DCHFA Final Bond Resolution No. 2023-04 for Villages at Parklands – Huntington Village and Orchard Park.

Mr. Scott Hutter, Director, 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 $67,000,000 for Villages At Parklands - Huntington Village And Orchard Park Apartments (the "Project" or "Development").

The permanent loan will be a Freddie Mac Immediate Funding tax exempt loan. The Project is in the Randle Heights neighborhood of Southeast Washington, DC. The Project site is located approximately 0.5 miles from the Congress Heights Metro Station, which services the Green Line. Additionally, there are several bus stops located near the Project.

The Project consists of two communities, Huntington Village and Orchard Park, that are located in the greater Villages at Parklands development. Huntington Village and Orchard Park are low-income housing tax credit ("LIHTC") developments in their extended use periods, and they currently operate with three separate Section 8 contracts. The Project communities are proposed for an acquisition/rehabilitation. Post-renovation, the four hundred sixty-one (461) units at the Project will continue to operate with LIHTC restrictions and Section 8 contracts.

The Project is being presented to the DCHFA Board of Directors for inducement approval as the Agency received the required bond inducement checklist items, which includes letters of interest from the various financing partners. The Agency recognizes that there is significant work left to be completed and the project will be vigorously underwritten prior to returning to the Board to present the transaction for a final bond approval.

The MLNI team recognizes various risks associated with the transaction and the following items highlight some of the significant risks:

> Operating Expense Risk: The sponsor is projecting a twenty percent (20%) decrease in operating expenses. This Project is a light rehabilitation with a hard cost of approximately $35,000 per unit. Based on discussions with the Agency's asset management division, operating and maintenance cost reductions are anticipated to be limited. If projected operating expenses are not achieved, the Project may experience difficulties with operations.
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> Freddie Mac has completed a pre-screen for this loan, and it has provided preliminary loan sizing. To mitigate the risk, the Agency will require that the final appraisal for the transaction provide a detailed analysis of the proposed operating expenses supported by comparable market comps.
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> Redevelopment Scope of Work Risk: The sponsor has not scoped sanitary sewers and has an assumption that only twenty percent (20%) of heating ventilation and air conditioning

("HVAC") units will require replacement. To mitigate the risk, the Agency will require that the Sponsors complete an evaluation of the sanitary sewer lines, as well as the HVAC units, prior to final bond.

Revenue Risk: The Project has three (3) existing Section 8 contracts, and the Sponsors intend to renew them. The revenue projections are based on a mark up to a market renewal package that has not been approved by the U.S. Department of Housing and Urban Development ("HUD"). To mitigate the risk, the Agency will require that the Sponsors provide a HUD mark up to market approval, as well as an assignment of Section 8 contracts, prior to final bond.

General Contractor Risk: ETC Companies has not served as a general contractor on any multifamily projects in the greater Washington, D.C metropolitan area. Overall, given the lack of local experience, the general contractor may have limited knowledge of the various diversity, equity, and inclusion ("DEI") contracting requirements and compliance procedures.

The Sponsors will provide fully executed copies of the CBE Enterprise Utilization agreement, First Source Employment agreement, and Section 3 Opportunities Plan (as applicable) prior to the final bond board meeting and project closing.

The Project programmatically fulfills the requirements for tax exempt bond issuance. The sponsors for the Project are Dantes Partners, L+M Development Partners, and H Street CDC. L+M Development Partners specializes in developing affordable, mixed-income and market-rate housing. L+M Development Partners and its affiliate companies are responsible for over $10 billion in development and investment and have acquired, built, or preserved nearly 40,000 residential units. L+M Development Partners manages more than 18,000 units and has a typical construction workload of 10-15 active constructions projects.

Other members of the development team include ETC Companies as general contractor, Soto Architecture & Urban Design as architect, and DP Management LLC doing business as Faria Management as property manager. Mr. Hutter concluded the presentation, opened the floor for questions and introduced Jeff Moelis with L+M Development Partners and Corey Powell with Dantes Partners.

Mr. Green asked Mr. Hutter to elaborate on some of the areas where the Agency needs additional information from the developer. Mr. Hutter responded that the underwriting items that needed shoring up included, among other things, the need for additional support for being able to lower operating expenses from their current levels to the proposed underwritten amounts, the need for additional due diligence items and support for the proposed rents, the need for support regarding the construction budget, and a proper HVAC unit replacement plan.

Mr. Green stated that there is concern regarding the level of underwriting that will need to be successfully completed and issues that need to be clarified before the transaction can return for a final bond approval.

There were no further questions.

Mr. Donald called for a vote to approve DCHFA Final Bond Resolution No. 2023-04 for the Villages at Parklands – Huntington Village and Orchard Park. Ms. 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.

VIII. Other Business.

There was no other business.

IX. Executive Director's Report.

There was no Executive Director's Report.

X. Adjournment.

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

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

The meeting was adjourned at 7:18 p.m.

Submitted by Christopher E. Donald, Secretary to the Board of Directors on March 10, 2023.