

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY BOARD OF DIRECTORS MEETING

January 24, 2017
815 Florida Avenue, NW
Washington, DC 20001
5:30 p.m.

Minutes

I. Call to order and verification of quorum.

The Chairman, Mr. Buwa Binitie, called the meeting to order at 5:41 p.m. and asked the Secretary of the Board of Directors, Mr. Todd A. Lee, to verify a quorum. With three members present, the Board of Directors (the “Board”) had a quorum, and the meeting continued. The following members were present: Buwa Binitie, Stephen M. Green, and Sheila Miller, who participated telephonically.

Mr. Stanley Jackson arrived after the roll, and was announced by Mr. Binitie.

II. Approval of the Minutes from the January 10, 2017 Board Meeting.

Mr. Jackson identified two typographical errors in the January 10, 2017 Board Meeting minutes. Mr. Binitie requested that the minutes be updated to reflect said corrections. A motion to approve the minutes from the meeting of January 10, 2017 was made by Mr. Green and seconded by Mr. Jackson. The minutes were approved by a chorus of ayes.

III. Discussion and Presentation-Information and Technology Procurement Plan.

Mr. Binitie announced that the written agenda would be rearranged, and that the first item up for consideration would be the Information and Technology Plan.

Mr. Lee introduced Ms. Fran D. Makle, Deputy Executive Director, and Ms. Yvette Downs, Chief Financial Officer as the parties responsible for the administration of planned IT activities. Ms. Makle and Ms. Downs then began their presentation on what Ms. Makle characterized as the IT plan procurement for 2017 moving into fiscal year 2018.

Per Ms. Makle: The plan will provide the framework for the acquisition of IT services and software for DCHFA. The plan will have several major focuses, including the acquisition of IT services, consultants, and software; preparation of a list of requirements and necessary tools to achieve the goals that are in the plan; the implementation of the IT services' new software and recently acquired software; the creation of the budgets for acquisition and implementation; and then creation of timelines for the RFP distribution, submissions, and decision process.

Ms. Makle summed up the Agency need by stating that it requires a more robust technology platform in order to facilitate much of its desired outcomes for Fiscal Year 2017.

A written plan was distributed. Ms. Makle drew the Board's attention to the, IT services, and software the Agency proposed in its FY17 budget, and proceeded to list the following items from that category: a multifamily application through which developers will be able to submit applications and documents. The company Network Express is working on this custom development multifamily application. The cost is \$15,000 as budgeted. There is also a budget line item of an additional \$120,000, to address yet unidentified multifamily software needs.

Mr. Binitie requested clarification on whether the \$120,000 was designated for the initially identified scope or something yet unnamed. Ms. Makle confirmed its use for items yet unnamed, and clarified that the aforementioned multifamily application should not exceed \$15,000. Mr. Binitie asked whether the aforementioned \$15,000 budget would produce a system through which developers will be able to submit applications to the Agency. Ms. Makle answered in the affirmative. Mr. Binitie inquired on the relationship of a \$180,000 figure to figures of \$15,000 and \$120,000 listed in the same chart. Ms. Makle clarified that the \$180,000 represented the IT service contract to Network Express.

Ms. Miller asked whether all of the presented moneys are included in the Agency's Fiscal Year 2017 budget. Ms. Makle answered in the affirmative. Mr. Binitie asked for a reaffirmation, which Ms. Makle provided.

Mr. Green asked whether the \$180,000 is inclusive of the \$15,000 and 120,000. Ms. Makle responded that it is not. She stated that the two smaller items are completely separate and apart from the \$180,000.

Mr. Binitie asked whether the Network Express contract is inclusive of software. Ms. Makle indicated that it is. Mr. Green stated his belief that Ms. Makle's response to his initial question indicated that both the \$15,000 and \$120,000 are a part of the \$180,000. Ms. Makle apologized for the confusion and clarified that the \$15,000 is included in the \$180,000, and the \$120,000 is not.

Ms. Makle attempted to move on to the next topic (Emphasys contract). Mr. Binitie asked for further clarity on the Network Express contract. He asked whether the afore-discussed \$120,000 is intended as an allowance to address unforeseen "kinks" in the detailed work initially described. Ms. Makle responded that the \$120,000 could be used for an additional use. Mr. Lee interjected, stating that the \$120,000 could be used for the outward extension of the multifamily division's system in support of a larger integrated system that connects Agency workflow from application through to asset management. Mr. Lee also mentioned his interest in developing a tool for analyzing deals.

Mr. Binitie expressed his desire for a spending timeline. Ms. Makle directed him to the handout.

Mr. Binitie then asked whether the Agency planned to return to the Board for approval to spend the \$120,000, to which no specific items have been assigned. Ms. Makle responded in the affirmative, adding that quarterly expenses will track to the \$120,000 budget. Mr. Lee concurred.

Ms. Makle began discussion of the Agency's engagement of Emphasys for financial management software. It was her expectation that the Agency execute a contract with Emphasys by the following Monday or Tuesday.

Per Ms. Makle: The Emphasys contract price is \$819,825, well within the resolution that was approved a year ago for \$837,450, and the Agency has \$1 million available "in that pot," which leaves roughly \$234,000 that has not been allocated for anything. The roughly \$819,000 is allocated for the software for the financial management system.

There is \$200,000 designated for a consultant, which is shown in the IT budget. The Agency plans to expend a part of those consulting services dollars on an IBS contract. To-date, the Agency has not spent any money in that line item.

Ms. Makle directed the Board's attention to a requisition procurement add-on. That item was not contemplated when the FY17 budget was presented, and so there's no money dedicated to that line item. The Agency will therefore have to take funds from another location to fulfill this need, and will inform the Board if/when that occurs.

Ms. Makle pointed out an identical circumstance for a budget add-on. It was not contemplated at the time of the budget, so there's no money in the budget allocated for that purpose. These are two items that the financial management unit has decided that they need in addition to Emphasys. The Agency will install therefore Emphasys software, assess its effectiveness, and if necessary, consider a procurement add-on and the budget add-on.

Ms. Makle then discussed a planned electronic document management system, which she described as a filing system for the Agency. It was contemplated at the time of the budget. It's off-the-shelf product. The software is going to cost an estimated \$121,145.

Ms. Makle then indicated that all costs were estimated, as pricing between the budgeting and procurement may change.

All scoping for the cost of any contemplated software was conducted by the Agency's IT contractor, Network Express, along with the end-user divisions.

Ms. Makle then discussed planned single-family software. The software will be "off-the-shelf with some customization." Part of the budgeted \$200,000 is for consulting to help the Agency bring the software online. The software itself is priced at \$241,980.

The next piece of software that is contemplated in the budget is asset management software. This item is also “off-the-shelf with some customization.” This item is included in the aforementioned \$200,000 as the IT management services that are going to be required. The portion allotted for software is \$120,000.

The Agency let an RFP roughly 90 days prior to the meeting, and had by that time received three or four proposals (Ms. Makle was unsure of the total).

Evaluation of responses was planned for the following Thursday. The evaluation team would consist of the Agency Chief Financial Officer, the business process manager, and Deputy Executive Director. The awardee IT firm will be asked to evaluate the business units, complete workflows, assist in writing an RFP, and procure the software that's needed for the applicable business unit (Single family and Asset Management).

Mr. Irving requested confirmation of the software contract total, which he surmised to be roughly \$2.3 to \$2.7 million. Ms. Makle answered in the negative, and indicated that she didn't have the total. After some prodding by Mr. Binitie, it became clear that Mr. Irving was inquiring on all IT consultant services plus software costs listed in the presentation document. Ms. Downs calculated that the total consultant costs ate \$468,000 and software costs of \$1.7 million.

Mr. Irving asked whether the Agency outreach on these items are targeted to SBEs (Small Business Enterprise) or CBEs (Certified Business Enterprises), and inquired on the Agency's procurement process in general. Ms. Makle explained that before the Agency puts an RFP to bid, it first contacts Department of Small and Local Business Development (DSLBD), which then provides the Agency with a list of CBE vendors. An RFP is published in the newspaper on a Sunday. On the following Monday, the procurement officer sends an email out to all CBEs on the list provided to the Agency, informing them (CBEs) that the RFP has been let and directing them to the DCHFA website for the actual RFP.

Mr. Irving indicated that DC DGS (DC Department of General Services) requires that all projects under \$15 million be awarded to SBEs, and that the DC Department of Health sets that bar at one or two million dollars. Citing the distinction between CBEs and SBE's that could lead large corporations (e.g. Microsoft) to compete as CBEs, Mr. Irving indicated that OCTO (DC Office of the Chief Technology Officer) has been given a mandate to provide set-asides for SBEs.

Ms. Makle agreed to confer with Mr. Lee to develop a model for SBE preference in DCHFA procurement.

Mr. Binitie concurred with Mr. Irving and asked that the Agency tabulate the ways in which a CBE applicant may arrive at the 12point bonus for RFP review. Ms. Makle indicated that applicants must provide evidence of the source of bonus points, which is information that may be reviewed on DSLBD's website. Mr. Irving pointed to the possibility of SBE's not in his field,

applying for work for which he is better qualified to perform. He then spoke to the importance of making those distinctions to the local business community.

Mr. Binitie then acknowledged Mr. Irving's theretofore unannounced arrival to the Board Meeting. Mr. Binitie then associated himself with Mr. Irving's remarks.

Ms. Makle continued her presentation of the IT procurement plan.

She stated that with rare exception for sole source arrangements, the agency has relied primarily on the "strict RFP."

Ms. Makle indicated that she met with the Agency's procurement officer the week of the Board Meeting to develop a way forward with IDIQ (Indefinite delivery, indefinite quantity) contracts. The Agency intends to develop a slate for items such as auditing services, IT equipment and services, strategic planning, and financial management. Ms. Makle intends to put an IDIQ out every "couple of weeks" so that the Agency has ample time to review respondents qualifications before the need for RFPs arise. Ms. Makle indicated that there will remain an occasional need for RFPs.

Ms. Makle then discussed the Agency's relationship with Network Express, its vendor for infrastructure security, server hosting and day-to-day IT support.

The Agency will require two additional servers to accommodate the afore-discussed Emphasys product, bringing the Agency total to ten.

On the budget, Ms. Makle drew the Board's attention to a line item for IT management services, consulting services, which is in Agency's administration's budget, as well as a consulting service item in the Office of ED's budget. Ms. Makle indicated that those items total \$468,000.

Ms. Makle then stated that Agency software budgeted for F Y17 is listed in the attachment as the following: The multifamily application, the financial management software, single-family program software, compliance and asset management software, records management, all of which total \$1.7 million.

Ms. Makle then directed the Board's attention to a schedule with detail of software needed for the different divisions. The first one is multifamily. The second one is financial management. She explained that "RPA" is requisition procurement add-on, the "BOA" is the budget add-on, and "EDM" is electronic document management, "SFS" is single-family software, and then asset management software.

Ms. Makle indicated that the document establishes timelines. The Agency's primary focus is the multifamily application and the financial management system. Ms. Makle indicated that single-family and compliance and asset management software would probably "start" within 60 days of the Board Meeting.

Mr. Green initiated a review of the IT consulting total previously listed as \$480,000. After confirming Mr. Green's calculation, Ms. Makle acknowledged that the software total is \$600,000.

At Mr. Green's request, Ms. Makle and Ms. Downs calculated the breakdown of equipment, which was confirmed at \$1.657 million hardware and \$630,000 in software. Mr. Binitie asked whether the multifamily module was installed by January 17th. Ms. Makle responded in the affirmative. Mr. Binitie asked, and Ms. Downs confirmed that the goal for the launch of the Agency's financial management software is between the date of the Board meeting and October 2017. Ms. Makle predicted execution of that contract by the Wednesday after the board meeting. Mr. Binitie requested a quarterly IT update. Mr. Jackson asked whether beta testing of the software installed in January 2017 would occur through February 2018. Ms. Makle indicated yes. Ms. Downs indicated the opposite, at which point Mr. Binitie prompted Ms. Makle to acknowledge that the end date for beta testing is February 2017.

Mr. Binitie commended the work of the Agency in putting together a comprehensive document to explain the IT procurement plan.

IV. Consideration of DCHFA Resolution 2017-01(G) regarding Sole Source Selection of IBS Management and Consultancy Services for the Development of a New Chart of Accounts.

Ms. Downs presented to the Board. The scope of work would involve IBS's assisting the Agency's controller with designing a new accounting structure, taking into account organizational structure and business processes. Ms. Downs stated that IBS's past work with the Agency makes it an ideal party for completing the described job. She asked that the Board approve a contract amount of \$74,800. Mr. Green asked Ms. Downs to cross reference this item with the larger procurement plan discussed earlier during the meeting. According to Ms. Downs, this item falls within a \$200,000 amount dedicated to consulting cost and hardware. Mr. Binitie requested, and Ms. Downs provided confirmation that Agency still had roughly \$300,000 remaining in the Consulting and Software budget line item after letting this contract.

Mr. Binitie expressed his general discomfort with approving sole source contracts, but acknowledged the advantage in selecting a contractor with whom the agency is currently doing related work.

Mr. Binitie called for a motion to approve the resolution. The motion was moved by Mr. Jackson, and seconded by Mr. Green. The motion was approved by a chorus of ayes.

V. Vote to close meeting to discuss approval of the South Capitol Multifamily transaction

Citing his involvement in the project as a paid consultant, Mr. Binitie recused himself from participation in the deliberation and vote on the resolution. He then excused himself from the Board Room, whereupon Mr. Green as Vice Chair to the Board and pursuant to the District of Columbia Administrative Procedure Act, called for a vote to close the meeting in order to establish, discuss or instruct the Agency as public body, its staff or negotiating agents concerning a position to be taken in negotiating the price or other material terms of the South Capitol Multifamily transaction.

Mr. Green called for a motion to approve the resolution. The motion was moved by Mr. Jackson, and seconded by Ms. Miller. The motion was approved by a chorus of ayes.

The meeting went off the record at 6:16 p.m. and resumed at 6:34p.m.

VI. Consideration of Final Bond Resolution 2017-02 for South Capitol Residential

Development Officer, Ms. Carrie Fischer presented.

- The Principal Developer and Sponsor of the project is **South Capitol Improvements LLC**, which is controlled by **The Michaels Development Company and City Interests LLC**
- In addition to the Sponsor, the development team includes:
 - Prestige Building Company as the general contractor
 - Interstate Realty Management Company as the Property Management agent
 - Hickok Cole is the architect of record
- Project will be located at 4001 South Capitol Street in the Bellevue neighborhood of Southwest Washington, DC
- Project will consist of the acquisition of land, demolition of existing buildings, and construction of a six story building **totaling 195 units and approximately 5,500 square feet of community space.**
- The Bedroom mix: **24 efficiencies, 110 one bedrooms, 52 two bedrooms, and 9 three bedrooms**
- Sponsor has elected to set aside 100% of the units at or below 60% of area median income for bond and tax credit purposes.
- DC Housing Authority has committed to providing 40 units serving households at 30% of AMI with operating subsidies through the Local Rent Supplement Program

Financing

- The total capital stack is as follows:
 - \$30 million in DCHFA bonds that will be offered through a private placement with JP Morgan Chase Bank, made up of \$9.42 million in long term bonds and \$20.58million in short term bonds.
 - \$23.24 million raised in equity through the syndication of 4% LIHTCs.
 - \$25.13 million in a loan from DHCD's Housing Production Trust Fund (HPTF).
 - \$300,000 in a seller funded escrow to cover environmental remediation costs.
 - \$150,000 in accrued interest.
 - \$117,000 in deferred developer fee.
- Riverside Capital will be the low income housing tax credit syndicator, with Bank of America as the end investor. A rate of \$1.11 per credit will be invested, for an estimated equity amount of \$23.24 million.
- The construction period is 22 months.
- DCHFA provided a McKinney Act loan is for a total amount of \$1 million for this Project that will be repaid at the bond financing closing.

Ms. Fischer then introduced the following development team members:

Mike Hodas, Senior Associate at City Interests, Jonathan Novak, Partner at City Interests, Derick Mitchell, Project Manager with City Interests, Ava Goldman, Executive Consultant for Michaels Development Company, Monica Ray, Executive Director of Congress Heights CDC, Cynthia Paine, Developer's Counsel, she's with Katten Muchin, Kerron Miller, Architect with Hickok Cole, Christy Respress, CEO with Pathways to Housing, Keirston Woods, our Bond Counsel, and Ashkan Sepassi, also architect with Hickok Cole.

Mr. Hodas presented.

City Interests is the current owner of the land through a partnership with an equity partner, and a development partnership with Michaels Development. City Interests bought this property in 2007, before the property went through a large track review process with the District of Columbia, when it (City Interests) decided, with community input, to pursue a primary care facility along with an office and residential building.

City Interests successfully completed a Community of Hope building on the property at the end of 2013. In summer 2016, City Interests completed a parking garage, and an office building for the Department of Human Services, which was completed in December, 2016. City Interests applied to DHCD in 2014 for this project and was granted an award letter that year. Due to its affordable housing experience, relationship with the management company Interstate Realty, and

ties to nonprofit provider of scholarships Better Tomorrows, Michaels was subsequently brought in as a development partner.

Mr. Hodas turned the presentation over to Ms. Goldman. Ms. Goldman spoke to Michael's 44 years of experience in housing development, and its intentionality in building community space and other amenities. She then spoke of Michael's Educational Foundation, which matches two for one donated scholarship money contributors to benefit property residents attending college. Ms. Goldman spoke more on Michael's reputation and commitment to the community, which included a pledge to meet, if not exceed, all District CBE, SBE, and local hiring requirements.

She mentioned that Monica Ray, Executive Director of Congress Heights CDC was brought on to the development team to liaise with the community.

Mr. Green opened the meeting up for questions.

Mr. Jackson asked for details of the developer's remediation strategy.

Mr. Hodas indicated that there are up to five underground storage tanks on the property, and asbestos in the existing buildings, as well as contamination in the soil. Contaminants were detected through triangulation and drilled wells on the property, and are believed to lie below just one of the existing spaces. The Developer is working with Apex Environmental Consultants on the remediation issues.

The developer has entered the District's Voluntary Cleanup Program. Developer's Corrective Action Plan was approved "a couple months" before this Board meeting. That Corrective Action Plan will involve de-watering the site, and then cleaning the dirty water, before hauling away the dirty soils.

The developer anticipates that it will be able to complete that work within the normal course of excavating the site, and promised continued monitoring in pursuit of a "no further action letter" from DHCD.

Ms. Goldman interjected, stating that the developer has an environmental contingency plan and related funds in the amount of \$700,000 as well as a seller's escrow, to require seller to contribute towards cleanup under certain circumstances. Mr. Green expressed his view that given the mix of chemicals identified at the site, developer will likely expend the entirety of its environmental contingency fund.

Mr. Green then asked Ms. Goldman about the developer's commitment to local hiring. Ms. Goldman indicated that Mr. Hodas and Mr. Mitchell from City interest engaged the local Advisory Neighborhood Commission (ANC), and received a community benefits agreement, which she pledged to execute. Mr. Green asked for details on what the developer planned to agree to in the aforementioned community benefits agreement. Ms. Goldman indicated a

commitment to neighborhood hiring, which according to her, is not required by the District. She discussed business opportunity sessions held by the developer.

Mr. Green asked for specifics on what the developer would do relative to community benefits. Ms. Goldman acknowledged that an agreement had not been signed, and spoke about outreach by the general contractor to 350 local businesses. Seven or eight local Ward 8 businesses are in negotiation to work as subcontractors. Mr. Green indicated that those items would be required by the District in any event as part of a first source agreement. Ms. Goldman retorted that the developer is focused specifically on Ward 8 businesses, which exceeds the District's CBE hiring requirements, and was close to executing roughly \$1 million to the 7-8 small businesses in negotiations with the developer.

Mr. Irving asked whether City Interests developed other properties at the site. Mr. Miller answered in the affirmative. Mr. Irving then inquired on CBE participation levels at those developments. Mr. Miller indicated that he did not have the answer to that question readily available. Mr. Irving inquired on the identity of selected CBEs. Mr. Miller again indicated that he did not have the answer readily available, but that he could retrieve it from his general contractor at a later date.

Mr. Green indicated that the completed Community of Hope project garage was subject to 35 percent First Source requirements, which would have to have been met by City Interests. Mr. Irving responded that many city projects are documented as meeting the District's First Source requirements, but actually do not. Mr. Novak added that that project received Community Development Block Grant funding, which required reporting to DHCD, and that First Source participation exceeded the minimum District requirement.

Mr. Irving expressed his intention to reach out to the District government for a copy of reporting documents. He then asked whether the developer has tracked the planned expenditure of funds to CBE subcontractors. Ms. Goldman indicated that the company's general contractor is in negotiations with subcontractor, and was asked to refrain from sharing details of that negotiation, including the identities of the subcontractors.

Ms. Miller inquired on retail plans for the development. Ms. Goldman indicated that the developer originally intended to occupy the 5,000 square feet of retail with a fresh food market, but DHCD disallowed the use. The area was alternatively designated as community space to house supportive services and resident activities. Despite the change, Ms. Goldman indicated the developer's intention to work with local officials to produce a fresh food market in that space. Mr. Hodas interjected, stating that the developer had preliminary discussions with the local ANC to house its office in the space.

A motion to approve the resolution was made by Mr. Jackson, and seconded by Ms. Miller. Mr. Lee called the roll, and with three affirmative votes and an abstention from Mr. Irving, the resolution was approved.

Mr. Green then suggested that going forward, developers appearing before the Board should be prepared to discuss prior CBE participation on subject and prior projects. He also suggested that developers appearing before the Board should produce community benefits agreements, when applicable, and that the Board action should occur after execution of said agreements. Mr. Irving concurred, and emphasized his discomfort with the developer's lack of ready knowledge about past CBE participation on its projects in the District.

Mr. Lee stated the Agency's intention to condition closing on the execution of community benefits agreement with the local ANC 8E. Mr. Green suggested amendment and an additional vote to approve the transaction. Citing the general objection of Bond Counsel, Acting General Counsel, Mr. Michael Winter, voiced opposition to an amended resolution. After some questioning by Mr. Green over the possible negative impact of an amended and conditional resolution, Mr. Winter recommended that the Board instruct the staff to close on the transaction only after execution of a community benefits agreement with the local ANC. Mr. Green provided said instruction.

VII. Executive Director's Report

- Mr. Lee suggested a Saturday morning retreat to discuss several new lending products that the Agency plans to pilot. Mr. Green suggested a special meeting be held during typical Board meeting hours. Mr. Lee predicted that the meeting would likely last roughly three hours. Mr. Irving, Mr. Green and Ms. Miller expressed indifference over the scheduling of the meeting, subject to availability. Mr. Jackson expressed his preference for a weekday meeting. Mr. Lee indicated that he would reach out to the Board with several suggested dates. Ms. Miller asked for an expected timeframe for conducting the meeting. Mr. Lee expressed his desire to schedule a meeting within three weeks. Mr. Green suggested that weekday evening meetings may require bifurcation into hour and a half sessions.

VIII. Adjournment

A motion to adjourn the meeting was made by Mr. Jackson, and seconded by Mr. Irving. The motion was approved by a chorus of ayes.

The meeting adjourned at 7:16 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on February 15, 2017.

Approved by the Board of Directors on February 15, 2017.