

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY BOARD OF DIRECTORS MEETING

January 10, 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 5:37 p.m. and asked the Secretary of the Board of Directors, Mr. Todd A. Lee, to verify a quorum. With four 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, Bryan “Scottie” Irving, and Sheila Miller (who participated via teleconference).

II. Approval of the Minutes from the December 20, 2016 Board Meeting.

A motion to approve the minutes from the meeting of December 20, 2016 was made by Mr. Green and seconded by Mr. Irving. The minutes were approved by a chorus of ayes.

III. DCHFA Annual Meeting and Elections.

Mr. Binitie announced that during this, its first meeting of the Calendar Year, the Board must elect a Chair and Vice Chair. Mr. Green nominated Mr. Binitie to serve as Board Chair. Mr. Jackson arrived immediately thereafter, and was formally introduced by Mr. Lee. Mr. Binitie voiced his appreciation for the confidence placed in him by his fellow Board Members. Mr. Lee then called for a vote, which was taken by poll. All members except Mr. Binitie, who did not vote, voted in the affirmative, and thereby elected Mr. Binitie as Board Chair for CY 2017.

Mr. Binitie nominated Mr. Green to serve as Vice Chair to the Board. Mr. Lee then called for a vote, which was taken by poll. All members except Mr. Green, who did not vote, voted in the affirmative, and thereby elected Mr. Green as Vice Chair to the Board for CY 2017.

Mr. Irving asked whether the elected terms span one or two years. Mr. Lee responded by informing Mr. Irving that the Board Chair and Vice Chair serve for one-year terms. Mr. Irving asked whether the term may be lengthened at the will of the Board. Mr. Binitie cited a possible statutory bar to longer terms. Mr. Lee cited the staggered appointed terms as a logistical prohibition to lengthening the terms of officers to the Board.

IV. Approval of Amended Minutes from the December 20, 2016 Board Meeting.

Mr. Green objected to language on page four of the draft minutes from the December 20, 2016 Board Meeting. Reading the draft minutes, Mr. Green maintained that he did not recall stating, and in no event intended to state that “by law, housing and production trust funds may not be used for non-housing purposes.” He then asked that the read language to be stricken from the record. Mr. Irving asked to be directed to the language in the draft. Mr. Green continued, saying that it was his intention to say just the opposite of what was written. Mr. Jackson concurred.

Mr. Jackson pointed out that Ms. Sheila Miller was presented as Ms. Sheila Jackson in the draft, and asked for appropriate correction.

Mr. Lee called for a motion to approve the amended minutes from the meeting of December 20, 2016. The amended minutes were approved by a chorus of ayes.

V. Vote to close meeting to discuss the approval of the Randall Hill Apartments Transaction

Pursuant to the District of Columbia Administrative Procedure Act, Mr. Binitie 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 Randall Hill transaction. A motion to close the meeting was made by Mr. Green, seconded by Mr. Jackson, and followed by a chorus of ayes.

The meeting was closed at 5:48 p.m. and resumed at 6:16 p.m.

IV. Consideration of DCHFA Resolution No. 2017-01 for the Randle Hill Apartments.

Mr. Lee introduced the resolution and then introduced Ms. Carrie Fischer, Development Officer who presented a brief summary of the transaction. Ms. Fischer stated the following:

The principal sponsor of this project is Randle Hill LLC whose managing member is CPDC Randle Hill LLC, whose sole member is Community Housing Inc., the nonprofit real estate arm of Community Preservation and Development Corporation (“CPDC”).

Additional members of the development team include Weincek + Associates as the architect of record; Hamel Builders as the general contractor; The Sponsor will make a final selection of the Management Agent prior to submission of the Stage III application.

The project, which is located in the Congress Heights neighborhood in Ward 8, consists of the acquisition and renovation of a 196 unit apartment complex and construction of a new 1,400 square foot community space. The Tenants did not exercise their Tenant Opportunity to Purchase Act (TOPA) rights and The Sponsor purchased the property in November 2016.

The total development cost of the project is approximately \$40.9 million or approximately \$209,000 per unit.

The scope of work includes repairing and refinishing parquet floors and installation of vinyl tile in kitchens and baths, new cabinets, countertops and appliances, installation of energy star fixtures in the units, upgraded lighting and flooring in common areas, upgraded mechanical and plumbing systems, creation of ten accessible units, relocation of the leasing office, buildout of a 1,400 square foot community room, landscaping and relocation of the tot lot.

It will be financed with taxable and /or tax exempt bonds, a loan from DC Department of Housing and Community Development, proceeds from the syndication of the low income housing tax credits (LIHTCs), and deferred developer fee.

The Sponsor is still in the process of finalizing the financing structure and financing team, so staff has assumed a private placement and used estimated terms for underwriting purposes. The Sponsor has not yet selected an investor. Underwriting is based on a tax credit rate of 0.90 per \$1.00 of credit, yielding an LIHTC equity contribution of \$8.39 million

The total capital stack is as follows: \$ 18.81 million in DCHFA tax exempt bonds of which \$4.7 million are short-term bonds and \$14.11 million are long-term bonds. \$8.39 million in equity raised through the syndication of LIHTCs. \$ 17.1 million loan from DHCD, Housing Production Trust Fund (“HPTF”). \$1.3 million in deferred developer fee. The Sponsor plans to submit an application for DHCD, HPTF and Local Rent Supplement Program (LRSP) awards in the Affordable Housing Winter 2017 Request for Proposals. Since the Sponsor already acquired the property, it is necessary to receive an inducement resolution within 60 days of closing in order to use bond proceeds to finance the acquisition. DCFHA will not move forward with Stage III underwriting until all sources of funding have been secured.

On the operating side, 80% of the units will be set aside at the 60% AMI level for both bonds and tax credits. Based on the development agreement with the tenants, rents will not be raised for current tenants by more than 5% following the completion of construction. Rents for new tenants will increase 11% from the current average rents. On average, rents will be 30% below the LIHTC maximum. The current underwriting does not contemplate any operating subsidy, but if awarded LRSP subsidy it anticipated that 15-30 units would be set-aside for households earning at or below 30% of AMI and receive an operating subsidy.

The Bedroom mix is as follows: 4 efficiencies; 37 one bedroom units; 153 two bedroom units; 2 three bedroom units, for a total of 196 units.

The following members of the development team were in attendance: Shelynda Brown, Vice President, Real Estate for CPDC. Stacie Birenbach, Senior Development Officer and Lead Project Manager, CPDC. Riane McWain, Project Assistant, CPDC. Sharita Slayton, Senior Manager, Community Impact Strategies. After introducing herself, and team, Ms. Brown gave

an overview of CPDC's work in the region, which is focused on preservation. She then turned the presentation over to Ms. Slayton, who stated that this project reflects CPDC's investment focus in the Congress Heights neighborhood. The subject property is in close proximity to Wheeler Terrace Meadowbrook Run, Oxford Run and Oxford Manor. The developer worked closely with residents to identify tenants' wants and needs for the property. A fitness center and space for after-school tutoring are planned additions. Residents will also have the opportunity to avail themselves of job skills training at Meadowbrook Run, which is located across the street from the project. Food banks are available at many of the developer's properties.

The presentation was then handed over to Ms. Birenbach. The developer plans to relocate residents and manage vacancies through attrition. In light of 30 percent turnover per year, the developer expects to renovate one 22-unit building at a time. Hospitality suites will also be made available to relocated tenants. The expected timeline is 18 months. The developer has successfully used this approach in a 292-unit renovation project in Ward 5. The developer plans to submit for Low Income Housing Trust Fund dollars in the spring of 2017.

Mr. Binitie opened the meeting up to questions from fellow Board Members. Mr. Green asked about acquisition price by first seeking confirmation that the developer purchased the property for \$19 million, and is requesting \$17 million in subsidy from the DHCD. Ms. Birenbach confirmed a purchase price of \$18.6 million plus closing costs. Mr. Green asked whether the developer had a "Plan B" in the event that DHCD does not provide said subsidy. Ms. Birenbach responded that the developer has three years in which to receive the funding, and that the company's track record of developing over 2,600 units in the District, many of which have received subsidy, should result in a positive outcome. She then indicated that a "Plan B" solution would involve modifying the scope of work to suit reduced funding. And she proposed a "Plan C," which would involve a phased approach that breaks the property into smaller projects, and taking out the bridge lender through 10 year financing, which would require bringing the developer's equity to the table in the face of unavailable LIHTC financing.

After describing a climate of increasing interest rates, decreasing LIHTC credit pricing, and resulting change in market capitalization (cap) rates for the type of property at issue (5.25% - 6.00%), Mr. Green pressed for justification of developers decision to purchase the property at a 3.0% cap rate. Ms. Brown interjected, stating that the property was purchased at a 5.00% cap rate; adjustments in the market were accounted for in recent edits to the developer's numbers, and are reflected in the increased request for District soft funds. Ms. Birenbach then stated that the current pricing model is conservative, the actual numbers will become clearer; and based on her conversations with investors, the funding gap may close as the transaction moves toward completion. Mr. Green then expressed concern over tying up the Agency's bond cap allocation, and stated the need to closely examine and understand the cap rate on the property and related net operating income (NOI).

Mr. Binitie asked whether acquisition pricing included additional non-acquisition items. Ms. Birenbach responded that acquisition pricing includes minor repairs and lighting work at the site, which are tied to the need to keep all units prepared for occupancy.

Citing recent and ongoing TOPA transactions that don't require gap funding from the District Government, Mr. Binitie asked whether this project can likewise leverage lower interest rates and equity, or whether the project costs require the currently contemplated gap funding. Ms. Brown stated that the primary goal of the developer in presenting at the meeting was to obtain an inducement resolution, but that it was aware of other options for financing, including conventional financing. Ms. Birenbach then referenced the developer's decision to maintain current management as the primary reason for the tenants' selection of CPDC as the contract purchaser of the property. She then stated the need for significant renovation in was to keep the units on par with the new development in the subject neighborhood, and that the developer wishes to maintain affordability at the site. In the absence of tax credit financing, the developer could hold and appropriately maintain the property long enough to finance a relatively modest renovation. Ms. Brown reaffirmed the developer's strong commitment to affordability at the site.

Mr. Green asked for the name of the Community Development Financial Institutions (CDFI) lender on the project. Ms. Brown responded, "Union Housing Capital."

Mr. Binitie stated for the record, the understanding of the Board that the developer's presentation was tied solely to the inducement resolution, and that it (the Board) does not intend to influence or endorse DHCD's funding decision on the project.

A motion to approve the resolution was made by Mr. Green, and seconded by Mr. Jackson. Mr. Lee called the roll, and with four affirmative votes, the resolution was approved.

After brief and casual recap by Mr. Green of the various questions posed to CPDC before the vote, discussion transitioned to the Maple View transaction, which was brought before the Board on December 20, 2016. Mr. Green asked for an update on whether that transaction closed before the end of CY 2016. Mr. Lee indicated that it had not closed. DCHFA Development Officer, Mr. Martin Lucero interjected, and reported a pending update call with the developer. According to Mr. Lucero, the developer needed to retrieve approved building permits from the District. Mr. Green stated his belief that closing on the transaction before the end of Calendar Year 2016 was required in order to avoid going to Council for an extension on the disposition agreement. Mr. Lucero stated that DHCD granted the extension, which was within its sole discretion. After further questioning by Mr. Green about the need for Council approval of a contract extension, Mr. Lee clarified that revisited Council approval applies to the adjustment of sales price to the developer, and that the action discussed by Mr. Lucero only involved the extension of the term of the contract. Mr. Binitie concurred and then drew a distinction between CAM contract extensions and contract extensions on DMPED-controlled real estate, which requires greater

Council review and approval. Mr. Lucero then stated that the transaction would close the following Thursday, January 12, 2017.

VII. Consideration of DCHFA Resolution No. 2017-01(G) regarding the Sole Source Selection of IBS Management & Consultancy Services for the Development of a New Chart of Accounts to Support the Implementation of the Agency’s Financial Management System.

Mr. Binitie initiated discussion of the resolution. Mr. Green and Mr. Binitie discussed whether a sole source selection of IBS Management and Consultancy Services for work on this matter was brought to the Board on two previous occasions. Mr. Lee indicated that each instance involved a separate matter. Mr. Binitie asked for clarification. DCHFA Deputy Director, Fran Makle stated that the initial engagement was for the review of operations, policies, procedures and staffing resources. Mr. Binitie recalled that solicitation, adding that deficiencies of the Agency were identified and made with recommendations. DCHFA Chief Financial Officer, Yvette Downs added that a modification to that engagement was made to “onboard” her, and assist with the audit, which according to Ms. Downs, was completed on-time, and unqualified. Ms. Downs added that the Board would be hearing more on the completed audit by the end of the month. She continued by stating that this item is an amendment to the item referenced by Ms. Makle, which was competitively bid at inception. The approved bid selection for assistance with the Management Plan was the second matter involving IBS, and is unrelated to the matter under consideration at this Board Meeting. The requested extension is needed to develop a chart of accounts. Ms. Downs added that the current system is inflexible and difficult to navigate. Ms. Downs added that IBS, by virtue of its work with DCHFA to-date, is very familiar with the operations of the Agency, and best positioned to perform the aforementioned work, as well as the implementation to follow.

Mr. Lee affirmed the need to perform the work at issue. Mr. Green voiced his confusion over the process, and concern that contracts were being presented to the Board in a piecemeal fashion. He then requested a complete list of consultants needed to complete the brand of work discussed in this part of the meeting. Ms. Makle responded, stating that the request for approval of work under this resolution was originally discussed in December. She then pledged to produce a procurement document, complete with all of the software that is needed by the Agency for the current, and following Fiscal Years. Prompted by Mr. Green’s request for an accompanying list of consultants, Ms. Makle clarified that all of the forthcoming information will be classified as consulting. Ms. Makle then stated that the aforementioned plan would be presented to Mr. Lee the week after this Board Meeting, and should be presented to the Board by its January 24, 2017 meeting.

Mr. Irving asked whether the Agency has an estimated cost of the work to be performed under the forthcoming plan. Ms. Makle responded that she did not have that figure, but would be prepared to provide the budgeted number, which only reflects a guess at final cost. Total cost won’t be

known until the RFP for the Agency's Single Family and Compliance Asset divisions have been awarded. Ms. Makle continued, stating that there is a roughly \$180,000 budget per unit. Mr. Irving surmised a total management system budget of \$600,000; Ms. Makle concurred.

Mr. Green voiced general concern for sole source contracting, asked for a more granular breakdown of cost, along with expected timing of requests, and specifically objected to what he termed "a lack of context." Ms. Downs pledged that the type of information requested by Mr. Green would be included in the forthcoming plan. Mr. Binitie asked whether passage of the resolution at this Board Meeting was necessary. After brief discussion by Ms. Makle of timeline goals for contract execution, Mr. Lee interjected, and stated that the resolution would be tabled and brought to the Board at a later date.

Mr. Irving asked for a comprehensive list of items needed to update the Agency's IT system. He then voiced his acceptance of sole source contracting by the DCHFA in the event of involvement of Certified Business Enterprises.

Ms. Makle then stated the plan to put out RFPs for vendor slates tied to additional work related to IT and financial management. Ms. Makle indicated that the Board will receive a request related to the aforementioned slate within 60 days of that January 10, 2017 Board Meeting.

VIII. Executive Director's Report

- The audit report is complete. Mr. Lee provided hard copies. Mr. Binitie requested an electronic copy, which Mr. Lee agreed to have delivered. Mr. Green congratulated the staff for its completion of the Audit. Mr. Lee explicitly stated for the record, his appreciation for the work of the Agency's financial group, and all staff who assisted in the unqualified and on-time completion of the report.
- CohnReznick will present to the Board at its scheduled January 24, 2017 meeting if scheduling of multifamily deal presentation permits. Mr. Binitie inquired on the number of multifamily deals scheduled for presentation at the 1/24 Board Meeting. Mr. Lee stated that two deals are slated for presentation.
- At Mr. Binitie's prompting, Mr. Lee recapped Mayor Bowser's Second Annual Accountability Report event. Mr. Lee spoke of advances in public safety, public education, affordable housing, population and job growth.

Mr. Green raised a previous request for a market study and plans for positioning of DCHFA Headquarters. Mr. Lee indicated that he reached out to CoStar, the Urban Institute, and other smaller entities, and expects a response to the Board within 30 days. Mr. Lee indicated his intent to issue a Request for Applications (RFA) as a means of soliciting ideas. Mr. Binitie called for the Board to convene to develop a 2017 action plan.

IX. Vote to close the meeting to consult with the Board's attorney.

Pursuant to the District of Columbia's Administrative Procedure Act, Mr. Binitie called for a vote to close the meeting in order to consult with attorney to obtain legal advice and preserve the attorney client privilege between and attorney and a public body or to approve settlement agreements provided that upon request, the public body may decide to waive such a privilege. An open meeting would adversely affect matters related to the Agency.

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

The meeting was closed at 7:04 p.m. and resumed at 7:24 p.m.

X. Adjournment

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

The meeting adjourned at 7:24p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on January 24, 2017.

Approved by the Board of Directors on January 24, 2017.