

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS
April 23, 2019
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 5:33 p.m. and asked the Secretary to the Board, Mr. Todd Lee to verify a quorum. With five members present, the Board of Directors had a quorum, and the meeting continued.

The following members were present: Buwa Binitie, Stephen Green, Bryan “Scottie” Irving (telephonic), Stanley Jackson (telephonic), and Sheila Miller.

II. Approval of the Minutes from the March 19, 2019, March 26, 2019, and April 2, 2019 Board Meetings.

Mr. Jackson corrected the March 26 2019 minutes to reflect the abbreviation for the Housing Production Trust Fund (“HPTF”). A motion was made to approve the minutes from the March 19, 2019, March 26, 2019, and April 2, 2019 board meetings by Mr. Jackson. The motion was properly seconded by Ms. Miller.

The motion passed by a chorus of ayes.

III. Vote to close the meeting to discuss Southern Avenue Apartments and 1736 Rhode Island Avenue NE.

Pursuant to the District of Columbia Administrative Procedure Act, the Chairperson, Mr. Binitie, called a vote to close the meeting in order to discuss, establish, or instruct the Agency’s staff or negotiating agents concerning the position to be taken in negotiating the price and other material terms of Southern Avenue Apartments and 1736 Rhode Island Avenue NE because an open meeting would adversely affect the bargaining position or negotiation strategy of the Agency.

A motion to close the meeting was made by Mr. Green, seconded by Ms. Miller and was followed by a chorus of ayes.

Mr. Binitie disclosed that his firm, Dantes Partners, is directly involved with Southern Avenue Apartments and recused himself from the Southern Avenue Apartments discussion.

The meeting was closed by unanimous consent at 5:36 p.m. and resumed at 7:18 p.m.

IV. Final Bond Resolution – Southern Avenue Apartments

DCHFA Underwriter, Ksenia Camacho, presented the transaction and information to the Board.

The Multi-Family Lending and Neighborhood Investment (“MLNI”) Underwriting staff requests a final bond approval from the District of Columbia Housing Finance Agency Board of Directors the issuance of taxable and tax-exempt bonds in the amount not to exceed 56,700,000 to finance the acquisition and new construction of the residences of Southern Avenue.

DCHFA’s Board of Directors approved an eligibility resolution authorizing the issuance of taxable and/or tax-exempt bonds or obligations on December 1, 2017 as part of the Agency’s convertible option bond which was the District’s plan of action to preserve affordable housing had private activity bonds been discontinued by federal tax reform. This transaction was included in the resolution for inducement.

The capital stack of the development will consist of construction to permanent financing in the amount of \$47,285,000 million in tax-exempt bonds, \$2.715 million in taxable bonds, \$16.46 million in LIHTC equity, \$578,142 dollars in bond reinvestment income, \$423,519 dollars in NOI during lease up, and \$177,695 dollars in interest earnings on Cap-I funds. The bonds will be construction to permanent financing funded through a limited public offering issued by DCHFA and placed by Piper Jaffray. The total development cost is \$68,494,641 million dollars which equates to \$450,622 dollars per unit, inclusive of acquisition, hard and soft costs, developer and financing fees as well as reserve and escrows. Southern Avenue is a proposed 152-unit age restricted at 60-plus, five-story mid-rise building with three elevators and 37 parking spaces. The property will operate as an assisted living facility. Most residents will be frail seniors who qualify for the elderly and disabled persons EDP waiver program. The EDP waiver program is administered by the DC Department of Health Care Finance and provides services to help qualified older adults and persons with disabilities live in their own homes or community instead of a nursing home. Nursing homes generally offer a higher level of care than an assisted living facility and are more institutional dormitory style housing.

In order to qualify for the EPD waiver program, residents must be considered frail individuals who require assistance with two or more activities of daily living with an

individual annual income less than \$27,000 dollars for a single person and assets less than \$4,000 dollars. Couples will have an annual income less than \$40,500 dollars with assets less than \$6,000 dollars. The EPD waiver Medicaid daily service rate is \$161.11 dollars per resident per day as of 2019 and is paid by the D.C. Health Care Finance. The Medicaid daily rate covers resident services and care. Rent and room/board are paid by a combination of the federal supplemental Social Security Income (SSI), and an optional State Supplemental Payment, SSP. The maximum combined SSI and SSP is \$1,521 dollars per month less \$100 dollars personal allowance per resident with a net payment of \$1,421 dollars each month for rent, room and board. Stabilization is assumed in 2023, and both the Medicaid daily rate and room and board have been trended 1.3 percent and 2 percent respectively to reach expected rates when the project reaches stabilization.

The development team consists of Gilbane Development Company, Dantes Partners, H Street Community Development Corporation, as well as CDP Southern Avenue, LLC, an affiliate of the Carding Group. The remaining members of the development team consist of Hamel Builders as the general contractor, Soto Architecture and Urban Design as the architect, and Gardant Management Solutions as the property manager.

The subject transaction will be a tax-exempt construction permanent loan currently under \$47.285 million funded through a limited public offering and placed by Piper Jaffray. The loan will have a 3-year interest only period, a 40-year amortization, and a 20-year term. The taxable bond in the amount of \$2.715 million will be issued to pay the cost of issuance that is beyond the 2 percent allowable of the tax-exempt bond amount. A cost of issuance that is over 2 percent is considered a bad cost. The taxable and tax-exempt bond total issuance will be \$50 million dollars. The sponsor has selected PNC Bank as the low-income housing tax credit investor for the subject transaction. PNC is also providing an equity bridge loan. Ms. Camacho introduced Blaise Rastello from Gilbane, Michael Best from Carding, and Corey Powell from Dantes Partners.

Mr. Green stated that it is a great project and groundbreaking in the City. He further stated that it has taken some time to understand the transaction because it is different than anything that the Board knows, especially considering the Medicaid waiver and the payment scenarios. He commended the staff for an extraordinary job of underwriting the deal.

Mr. Rastello stated that his team has spent approximately 2 years on the transaction and has worked closely with District regulatory agencies regarding licensing, timing, approvals, and education. They are doing everything that they can to mitigate risks and ensure a smooth lease up process. The team has a pre-marketing and lease up plan that is more robust than a typical tax credit deal. The development budget reflects the required staffing to process applications,

provide nursing care, dietary professionals, administer prescriptions, bathing and dressing, 24/7 access to food, water and snacks, personal care facilities, and all other activities centered around daily living for the elderly population.

Mr. Green requested to hear from the service provider and property manager. However, they were not in attendance at the meeting.

There were no other comments related to Southern Avenue Apartments. Mr. Lee called for a motion on the resolution. Ms. Miller made a motion to approve DCHFA Final Bond Resolution No. 2019-08; that motion was properly seconded by Mr. Jackson. The Board took a poll vote because the Agency is committing volume cap.

The motion was approved by Mr. Green, Mr. Irving, Ms. Miller, and Mr. Jackson by a chorus of Ayes.

V. Final Bond Resolution – 1736 Rhode Island Avenue NE

DCHFA Underwriter, Ksenia Camacho, presented the transaction and information to the Board.

The Multi-Family Lending and Neighborhood Investment (“MLNI”) Underwriting staff recommends the final bond approval from the District of Columbia Housing Finance Agency's Board of Directors for the issuance of tax-exempt bonds in the amount not to exceed \$15,250,000 to finance the acquisition and new construction of 1736 Rhode Island Avenue. DCHFA's Board of Directors approved an eligibility resolution authorizing the issuance of taxable and/or tax-exempt bonds or obligations on December 1, 2017 as part of the Agency's convertible option bond which was the District's plan of action to preserve affordable housing had private activity bonds been discontinued by federal tax reform. This transaction was included in the resolution for inducement.

1736 Rhode Island Avenue is a proposed 61-unit four story apartment community located in northeast Washington, DC. The unit mix will be comprised of 30 one-bedrooms, 12 two-bedrooms, 19 three-bedrooms, totaling 61 units. Of these 61 units, 13 units will be permanent supportive housing units receiving Local Rent Supplement Program vouchers. The remaining 48 units will be restricted to households earning 50 percent of the area median income. The developer closed on the land acquisition in October 2017 for the sum of \$3.375 million dollars. The Local Initiatives Support Corporation provided an acquisition loan of \$3 million dollars to be fully repaid at closing.

Historical uses of the site include a gasoline service station and used car service. A Phase I Environmental Site Assessment identified petroleum contamination within the former underground storage tank area as a recognized environmental condition. The developer has submitted a remediation plan to the DC Department of Energy and Environment which has been conditionally approved. Based on the findings of the subsequent Phase II investigation, a cleanup estimate of \$280,000 dollars has been included in the project costs.

The capital stack will consist of permanent financing of \$7.09 million from JP Morgan Chase, \$11.42 million from the DHCD Housing Production Trust Fund and the National Housing Trust Fund, \$6.18 million in LIHTC equity, and \$1.173 million in deferred developer fee. Total estimated development cost of the project is \$25.8 million which equates to \$424,108 dollars per unit inclusive of the acquisition, hard and soft costs, developer and financing fees as well as reserves and escrows. The developer was approved for a \$10.5 million in DHCD Housing Production Trust Fund monies in 2018 and has since requested additional subsidy bringing the total request to \$11.4 million. The subsidy funding now will be from 2 sources: \$7.9 million will come from the DHCD Housing Production Trust Fund and \$3.5 million will be from the National Housing Trust Fund. The construction loan will be provided by JP Morgan Chase for approximately \$12.2 million in proceeds. Lock7 Development and other two principals, David Gorman and Patrick Conway, will provide full unconditional guarantees of completion and repayment. The construction loan term is 24 months with an optional one-time six-month extension for a price of 25 basis points of the commitment amount. The interest rate on the loan will be 175 basis points over the 30-day LIBOR. A portion of the construction loan, approximately \$5.9 million, will be repaid by the tax credit equity and HPTF and HTF loans at conversion. The remaining \$7.09 million will bear interest at a rate of 211 basis points over the 10-year swap rate. The underwritten permanent loan interest rate of 4.51 is inclusive of 40 basis points DCH with a long-term issuer fee, and an underwriting offer of 40 basis points.

1736 Rhode Island Avenue LLC is the borrowing entity for the subject transaction. The sole member of the LLC is Lock7 Development. Lock7 is a Washington, DC based real estate development company that focuses on renovation and new construction of multifamily housing. Founded in 2007, the company has completed the development of over 150,000 square feet of real estate projects and has another 160,000 square feet or 75 million of investment in development pipeline. While Lock7 has focused mainly on market-rate for-sale housing, the company also owns nearly 100 rental units in Brightwood and Petworth that are primarily leased to voucher tenants for the Section 8 program. The remaining members of the development team consist of Hamel Builders as the general contractor, Grimm & Parker as the architect, Residential One as the property manager, and Compass Design and Development as construction manager. Community Connections will be the service provider for the 13 PSH units, and Communities Together, Inc. will provide resident services for the LIHTC units. The sponsor has selected

National Equity Fund as a low-income housing tax credit investor or an affiliate will acquire 99.9 percent ownership in the project and provide equity contributions equivalent to 97 cents per dollar of LIHTC. Ms. Camacho introduced Carrie Fischer from Audubon and Patrick Conway from Lock7 Development.

There were no other comments or questions related to 1736 Rhode Island Avenue NE. Mr. Lee called for a motion on the resolution. Mr. Jackson made a motion to approve DCHFA Final Bond Resolution No. 2019-08; that motion was properly seconded by Ms. Miller. The Board took a poll vote because the Agency is committing volume cap.

The motion was approved by Mr. Binitie, Mr. Green, Mr. Irving, Ms. Miller, and Mr. Jackson by a chorus of Ayes.

VI. Other Business

There was no other business.

VII. Executive Director's Report

- The Parkway Overlook ribbon cutting will take place on Friday, April 26, 2019.
- Mr. Binitie mentioned that he is proud say that Mr. Lee will be recognized for a government sector award on May 9, 2019 from DCBIA. Mr. Lee thanked Mr. Binitie and recognized the DCHFA staff for their hard work and dedication.

VIII. Adjournment

Mr. Binitie called for a motion to adjourn.

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

The motion was approved by a chorus of ayes.

The meeting adjourned at 7:42 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on May 10, 2019.

Approved by the Board of Directors on May 14, 2019.