DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING

February 15, 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 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, Sheila Miller, Bryan "Scottie" Irving, and Stanley Jackson, who participated telephonically.

II. Approval of the Minutes from the January 24, 2017 Board Meeting.

A motion to approve the minutes from the meeting of January 24, 2017 was made by Mr. Binitie and seconded by Ms. Miller. The minutes were approved by a chorus of ayes.

III. Vote to close meeting to discuss the approval of Hilltop Apartments Transaction and 3534 South Capitol Northeast 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 Hilltop Apartments transaction and the 3534 South Capitol Northeast 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 5:40 p.m. and resumed at 6:15 p.m.

IV. Approval of Amended Minutes from the January 24, 2017 Board Meeting.

Mr. Green objected to language on page ten of the draft minutes from the January 24, 2017 Board Meeting. Mr. Green maintained that due to his unfamiliarity with the Community of Hope project, he could not have spoken to the truth of Mr. Jonathan Novak's claim that City Interests met the District's 35 percent First Source requirements. Mr. Green then requested that the following sentence be stricken from the draft document: "Mr. Green echoed City Interest's representation that it did meet the requirement on the project."

A motion was made by Mr. Jackson to approve the amended January 24, 2017 minutes, seconded by Mr. Green, and approved by a chorus of ayes.

V. Consideration of DCHFA Eligibility Resolution No. 2017-04 for 3534 East Capitol NE Apartments

Mr. Binitie expressly stated for the record that one of the principals of the East Capitol Street site development is a friend and former business partner. Mr. Binitie then stated that because he does not stand to benefit financially from the transaction, he intended to deliberate and vote on the matter.

Mr. Binitie then stated for the record that Mr. Irving recused himself from review of the transaction due to his status as a co-general contractor on the development. Mr. Irving was absent during Mr. Binitie's statement, deliberation on the resolution, and Board vote.

Mr. Lee formally introduced the resolution and then introduced Mr. Martin Lucero, Development Officer, who presented a brief summary of the transaction.

The Principal Developer and Sponsor of the project is 3534 East Cap Venture, LLC, which is controlled by MidAtlantic Realty Partners, LLC. The project will be located at 3534 East Capitol St. NE in the Deanwood neighborhood of Southeast Washington, DC. The Project will consist of the acquisition and new construction of a 137 unit apartment building with a 75-space below-grade parking deck and approximately 2,500 square feet of ground level retail. The Bedroom mix: 63 One Bedroom units, 59 Two Bedroom units, and 15 Three Bedroom units. Sponsor has elected to set aside 100% of the units at or below 50% of area median income (AMI).

<u>Financing</u>

- The acquisition and construction of the Project, which is estimated to cost $46.2 million, will be financed by a combination of tax exempt obligations issued by DCHFA, proceeds from the syndication of 4% low income housing tax credits, a subordinate loan from the DC Department of Housing and Community Development's Housing Production Trust Fund, and deferred developers fee.

- With respect to the DCHFA obligations, $20.6 million will be offered through a private placement with JPMorgan Chase of which $9.6 million will be long term obligations and $11 million will be short term obligations

- The low income housing tax credits (LIHTC) investor will be Wells Fargo at a rate of $0.94 per credit for an estimated equity amount of $13.9 million

- 100% of the units will meet the 20% at 50% AMI test for both bonds and tax credits.

- Estimated construction schedule is 15 months

In addition to the Sponsor, the development team includes:

- McCullough Construction who will be the general contractor and Blue Skye Construction who will be the Co-General Contractor.

- Kettler Management will serve as the Property Management agent.

- KTGY Group, Inc. is the architect of record.

Mr. Lucero then introduced Matthew Robinson of MidAtlantic Realty Partners (MRP). Mr. Matt Robinson restated much of Mr. Lucero's presentation and introduced the following additional members of the development team:

- Matt Robinson, MRP
- David Jannarone, Managing Partner, Taylor Adams Associates
- Matt Sislen, Audubon Enterprises
- Chapman Todd, Jaydot LLC

Speaking to MRP's track record of development, Mr. Robinson stated that MRP, a local DC Based company, controls 7.6 million square feet of existing buildings (6,600 units of which are in the District), currently maintains 8.8 million square feet of projects currently in various stages of development, and manages 8.1 million square feet of real estate overall.

Mr. Robinson stated that Reno & Cavanaugh is providing legal representation on the project; Audubon Financial serves as financial consultant; Kettler will manage the property, Novogradac will provide marketing studies, and KTGY is the architect of record.

Mr. Robinson stated that there are two phases of planned development at the site. Phase 1 is the subject of this application to DCHFA, and is not reliant on Phase 2. The project contemplates 2,300 square feet of ground level retail along Minnesota Avenue, with the main building entrance on East Capitol Street.

Using an illustration board as visual aid, Mr. Robinson discussed the architectural characteristics of the building with particular focus on the use of brick to emphasize the ground level retail and main residential entrance.

Mr. Robinson stated that the project meets a need for retail in the immediately surrounding community, and lays the groundwork for future northward development toward the nearby Metrorail station. The project required the demolition of an existing shopping center.

Mr. Robinson claimed that the development team is focused on exceeding District Certified Business Unit (CBE), and First Source requirements. He stated that a meeting between the general contractor, and unnamed Ward 7 residents and CBEs to discuss community participation, was scheduled for Tuesday, February 21, 2017.

Mr. Robinson stated that the project maintains a 15-unit set-aside for permanent supportive housing.

Per Mr. Robinson, third party review of the building permit is underway. The project is currently out to bid for a guaranteed maximum price contract. Construction will commence immediately following closing, which is anticipated to occur in June, 2017.

Mr. Binitie opened the meeting up to questions from his fellow Board Members.

Ms. Miller inquired on the amount of planned project retail. Mr. Robinson stated 2,300 square feet of retail is planned for the site. Mr. Robinson conceded that the retail space is "small," but necessarily so, given the new program's lack of parking, and low density to the south of the site and along East Capitol Street. The developer is in talks with vendors (e.g., coffee shops) for rental of the space.

Mr. Binitie inquired on the source of funding for the project's retail component. Mr. Robinson stated that it is being separately funded, without creation of a condominium. He assured the Board that Housing Production Trust Funds (HPTF) would not be used to fund any portion of the retail.

Mr. Green inquired on how the developer arrived at its bedroom distribution at the site. Mr. Robinson indicated that distribution of units by bedroom size came from an analysis by Novogradac of market demographics, which lead to the exclusive selection of one and two-bedroom units. Some designated two-bedroom units were later changed to three-bedroom units, which created "hiccups" due to the project's description as presented in its application for DCHFA Notice of Funding Availability (NOFA) funding. Mr. Green asked whether the developer had a copy of the Novogradac's market study. Mr. Robinson answered in the affirmative. Mr. Green discussed his lack of concrete knowledge on demand for three-bedroom units beyond the anecdotal. Mr. Robinson clarified that the market study in his possession recommends one and two-bedroom units. Mr. Robinson discussed the developer's intention to increase the amount of three bedrooms in its application for the next round of NOFA funding, as it is expected to meet market demand and provide developer a competitive advantage.

Mr. Binitie inquired on the location of the three-bedroom units. Mr. Robinson indicted that they are scattered throughout the building. Mr. Brian Potere, the project architect, indicated that the three bedroom units are stacked and at the corners, which allow for increased space.

Mr. Jackson asked about environmental challenges at the site. Mr. Robinson responded, stating that asbestos was detected in the existing building, the disposal of which is accounted for in the general contractor's cost estimate. Mr. Robinson stated that there is also the expectation of contaminated soil, based on tests conducted to-date, and the anticipated cost of remediation is $380,000.

Mr. Binitie inquired on developer's existing continuing liabilities associated with the cash collateral put up in support of the transaction. He specifically inquired on the developer's current project pipeline.

Mr. Robinson responded that the developer recently added 315 H Street to its pipeline ($60 million total capitalization). Developer anticipates that that H Street project will be complete in two years.

He also listed Elevation at Washington Gateway, which is a project in the "North of Massachusetts Avenue Business Improvement District (NoMa), which has officially stabilized. That project required a $65 million loan and $105 million total project capitalization, "that will be moving off" of the company's balance sheet. Per Mr. Robinson, the developer expects a 400 unit development in the Shaw neighborhood "to go onto the balance sheet" before the end of 2017. Mr. Robinson concluded his response by stating that the developer's investment partners have not voiced concerns over the issue reflected in Mr. Binitie's question.

Mr. Binitie called for a motion to approve the resolution. A motion to approve the resolution was made by Mr. Green, and seconded by Ms. Miller. Mr. Lee called the roll, and with four affirmative votes, the resolution was approved.

VI. Consideration of DCHFA Eligibility Resolution No. 2017-03 for Hilltop Apartments

Mr. Irving rejoined the meeting.

Mr. Lee formally introduced the resolution and then introduced Mr. Martin Lucero, Development Officer, who presented a brief summary of the transaction.

The Principal Developer and Sponsor of the project is Eastern Ave Redevelopment Limited Partnership, which is controlled by WinnDevelopment Company. Project will be located at 908, 910, 912, 914, 916, 918, 920, and 922 Eastern Ave NE in the Deanwood neighborhood of Southeast Washington, DC. The Project will consist of the acquisition and rehabilitation of an existing 8 building garden apartment complex totaling 106 units. The Bedroom mix: (52) One Bedroom and (53) Two Bedroom units. The Sponsor has elected to set aside 91% of the units at or below 60% of area median income with the remaining units at market rate.

Financing

- The acquisition and rehabilitation of the Project, which is estimated to cost $29.2 million, will be financed by a combination of tax exempt obligations issued by DCHFA proceeds from the syndication of 4% LIHTC, a subordinate loan from the DC Department of

Housing and Community Development's Housing Production Trust Fund, and deferred developer's fee.

- With respect to the DCHFA obligations, $13 million will be offered through a private placement with Citi Community Capital of which $6.6 million will be short term obligations and $6.4 million will be long term obligations
- The LIHTC investor will be Boston Financial at a rate of $0.93 per credit for an estimated equity amount of $5.6 million
- 96 units will meet the 40% at 60% AMI test for both bonds and tax credits.
- Estimated construction schedule is 16 months.

In addition to the Sponsor, the development team includes:

- Keith Construction who will be the general contractor
- Winn Management will serve as the Property Management agent
- The Architectural Team, Inc. is the architect of record

The following development team members introduced themselves:

- Brett Meringoff, Senior Vice President, WinnCompanies (Winn)
- Shiree Montieio, WinnCompanies (Project Director)
- Matt Sislen Audubon Enterprises (Consultant to Winn)
- Matt Felton, Felton Properties, Inc. (Executive Property Manager)
- Yolanda Geter, President, Hilltop Apartments Tenant Association
- Sandra Bennett, Secretary, Hilltop Apartments Tenant Association
- Punelle Jones, At-large Member, Hilltop Apartments Tenant Association
- Eric Rome, Esq., Eisen and Rome, PC (Counsel to Hilltop Apartments Tenant Association)

Mr. Meringoff began the presentation. After discussing Winn's national portfolio and 45-year history, Mr. Meringoff discussed its relationship with the Hilltop Apartments Tenant Association, which came about after the termination of sales contract with a different developer. Mr. Meringoff discussed current substandard conditions at the property, which Winn is (according to Mr. Meringoff), particularly capable of addressing as a company with long-standing experience in property management. He then turned the presentation over to Ms. Monterio.

Ms. Monterio stated that Winn representatives met with the Tenant Association three times prior to being competitively selected as the project developer, and roughly a dozen times after said selection. Services for elderly tenants and children, as well as financial literacy programming, emerged as key priorities for project tenants. Ms. Monterio discussed Winn's intention to partner with District agencies to provide the various onsite services desired by the tenants. Ms. Monterio then spoke to Winn's commitment to local hiring, and pledged to meet the local hiring level achieved by the developer at Atlantic Terrace (i.e. 41%). Ms. Monterio stated that the project contractor (Keith Construction), the project architect (The Architectural Team, Inc.) and Winn have collaborated on no fewer than 50 projects, including Atlantic Gardens, Atlantic Terrace, and Samuel Kelsey Apartments. She then introduced Jim Nurowski, Project Manager for The Architectural Team, Inc.

Per Mr. Nurowski:

- On developments such as Hilltop, the developer conducts/commissions the following in developing scopes of work: 100 % walkthrough of all the units to assess property conditions; reports required in making a capital needs assessment, environmental reviews, group inspection, and structural inspection.
- The project will meet Americans with Disabilities Act (ADA) requirements by providing 5 % accessible units, specifically, three two-bedroom accessible units, and (3) one-bedroom accessible units). The project will include a new community building with an elevator to the building where the accessible one-bedroom units will be located. The developer is providing this elevator to help additional tenants at the property who may have difficulty just getting up the stairs to their units.
- New security camera system and intercom systems will be installed at each pedestrian and vehicle entry point.
- The typical apartment will receive normal finish replacement, kitchens and bathrooms, paints and other typical accessories.
- The accessible apartments will be fully renovated to meet the accessible standards of American National Standards Institute (ANSI) and Uniform Federal Accessibility Standards (UFAS).

Mr. Nurworski then displayed illustrations of similar work performed by Winn at at the Atlantic Terrace site.

Per Mr. Nurworski:

- The project will comply with the DC Green Building Act by meeting established Enterprise Green Communities criteria.
- Winn will replace windows and patio doors with new EnergyStar efficient windows and doors.
- Winn will make structural repairs to the tenant balconies.
- Winn will also make the management office handicap accessible through installation of accessible restrooms, kitchenette, and offices.

Mr. Binitie opened the meeting up to questions from fellow Board Members.

Characterizing $106,000 per unit hard cost as “a hefty investment,” Mr. Green asked whether the units were being gutted.

Mr. Nurowski stated that the ADA units will be fully gutted. Remaining units will undergo complete renovation of kitchens and bathrooms. However, existing tubs and surrounds in bathrooms will remain. He then mentioned the “substantial cost” of constructing the community building.

Mr. Binitie stated that similarly sized deals in the DCHFA portfolio cost between $46,000 and $95,000 per unit to construct, with an average of $66,000 per unit. Mr. Lucero interjected that the price range provided by Mr. Binitie was subject to variations in project unit counts (549 units on the lower priced end). Mr. Binitie acknowledged the point, but countered that a 140 unit DCHFA-financed project was priced at $66,000 per unit, which is out of synch with the Hilltop transaction.

Mr. Green read the following text from page 10 of the DCHFA-provided project memo “The relocation plan will be updated once Winn takes title to the site and begins critical repairs and determines the level of environmental remediation and floor replacement that needs to be performed.” He acknowledged the Eligibility status of the project, and asked whether the level of required remediation was yet determined. Mr. Green stated that given the age of the building (“1970’s genre”), the presence of asbestos and lead was likely. Mr. Meringoff stated that the primary environmental variable stems from mold infiltration. Mr. Lee asked whether there is in fact mold at the site. Mr. Meringoff responded that testing revealed mold in several units. Mr. Jackson asked whether “life safety issues” were “major drivers” of the estimated per unit cost. Mr. Meringoff answered in the affirmative, but stated that he did not have exact numbers on the breakdown. He offered to provide the Board with that breakdown at a later date.

Mr. Lee asked whether a cost estimate was done for the new community building, and asked for the per-unit cost of the project after “backing out” that amount. After quick calculation, Mr. Meringoff shared that the per-unit cost of the community building is roughly $8,000, which leaves a balance of $98,000 in per-unit renovation cost.

Acknowledging that the development application was only at its Eligibility stage, and citing the need for adequate renovation for a property inhabited in large part by senior citizens, Mr. Irving requested a better explanation of cost. Mr. Irving asked when the last update occurred on the property’s mechanical, plumbing, and electrical (MEP). Mr. Merighoff replied that a unit-by-unit inspection was conducted, but that he was unaware of the last MEP update to the property.

Mr. Irving asked for confirmation of the per-dollar tax credit pricing. Mr. Lucero responded with 93 cents. Mr. Irving remarked on the change from $1.12 pricing seen in the recent past. Mr. Binitie referenced the recent national election as the cause of the shift. Ms. Miller concurred, adding that expectations surrounding federal tax reform are prompting pricing adjustment by the tax credit investor community.

Mr. Green stated that at 95 cents, tax credit pricing on the 3534 South Capitol Northeast transaction is comparable to the Hilltop project pricing, and that pricing on both transactions seem appropriate given current market activity. Mr. Green noted however, that the syndication proceeds presented by the developer appeared deficient. Mr. Sislen interjected that the developer anticipates that 70 % of the project's tenants will qualify for tax credit rents, while 30 % of its tenants will not. Mr. Green asked whether the basis is seventy percent. Mr. Sislen answered in the affirmative.

Mr. Binitie called for a motion to approve the resolution. A motion to approve the resolution was made by Mr. Green, and seconded by Mr. Irving. Mr. Lee called the roll, and with five affirmative votes, the resolution was approved.

VII. Executive Director's Report

- Mr. Lee introduced Shirley Bourbert-Rumble as the Agency's newly-hired Deputy Director of Multi-family Lending and Neighborhood Investments.
- The Agency's 2016 Annual Report is complete and posted on the Agency website. Board Members will receive printed copies after delivery to the Agency.
- On February 1, 2017, the Agency executed a contract for installation of its automated financial management system. The implementation phase of system development is expected to occur over the next12 months.
- The National Council of State Housing Agencies (NCSHA) Legislative Conference will take place from March 6th through March 8th, 2017. Mr. Lee indicated that invites would be sent to Board Members within 24 hours of the 2/15/17 meeting with inquiry on plans to attend.
- DCHFA received notice from the District Government's Office of the Inspector General that it will audit the procurement process of yet unnamed agencies. DCHFA is prepared if called, to participate in an audit.
- At the time of the 2/15/17 Board Meeting, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) was conducting an audit of the Agency's HomeSaver Program.
- The Agency is considering renewing its existing line of credit with PNC Bank, which will require Board approval. The Agency plans to open a line of credit with Industrial Bank to support its participation in the DC Housing Purchase Assistance Program (HPAP).

  Mr. Irving inquired on the anticipated size of the Industrial Bank line of credit. Mr. Lee replied, likely $3 million.

  Mr. Green inquired on the purpose of the PNC line of credit. Mr. Lee stated that it's for general use. Mr. Irving asked for the limit on the PNC line. Mr. Lee responded, $15 million. Mr. Binitie asked what the Agency intends to do with the line. Mr. Lee stated that the line exists for general use in the event that the Agency must access liquidity, which he does not anticipate. Mr. Lee stated that the Agency has roughly $50 million in liquidity. Citing the associated cost, Mr. Green asked why the Agency maintains a line of credit.

Yvette Downs, DCHFA Chief Financial Officer interjected that the HPAP program contract requires that the Agency maintain a line of credit, the cost of which has been budgeted.

- The Agency is planning a third-party facilitated Board retreat, and will contact Board Members to request dates of availability.

VIII. Consideration of DCHFA General Resolution No. 2017-02(G) Regarding the Approval of Modifications to the Agency's Procurement Guidelines to Include Subscription Services and Licenses

Fran Makle, DCHFA Deputy Executive Director was present telephonically. Ms. Makle presented:

The Agency's initial procurement resolution was approved in 1996, and amended in 2008 to give the Executive Director the authority take certain action without requiring Board approval.

Per the amended resolution, the Executive Director may approve action between $5,000 and $25,000 for building maintenance and upkeep, IT purchases and maintenance. However, the resolution does not provide the Agency specific authority to buy subscriptions and licenses absent Board approval. The resolution seeks to make a modification to bring treatment of subscriptions in line with the aforementioned items. The amount will never exceed the $25,000, but it may be over the $5,000.

Mr. Lee stated that the facts giving rise to the resolution emerged when the Agency sought to purchase a data analytics subscription from CoStar.

Mr. Binitie voiced a lack of objection, and asked for input/questions from his fellow Board Members. Hearing none, the Chair called for a motion to approve the resolution. A motion to approve the resolution was made by Mr. Green, and seconded by Mr. Jackson. The minutes were approved by a chorus of ayes.

IX. Other Business

Mr. Lee brought to the Board's attention the staff goals and objectives list that was inserted into the Board's meeting folder. Mr. Binitie referenced the absence of language on developer fees. Mr. Lee indicated that the goals are ultimately geared toward the reduction of fees. Mr. Binitie went on to praise the outlined goals.

X. 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. Green, and seconded by Ms. Miller. The motion was approved by a chorus of ayes.

The meeting was closed at 7:13 p.m. and resumed at 7:18 p.m.

XIII. Adjournment

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

The meeting adjourned at 7:19 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on February 28, 2017.

Approved by the Board of Directors on ________________________________