DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING

February 28, 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 5:34 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 joined telephonically immediately after calling of the roll.

II. Approval of the Minutes from the February 15, 2017 Board Meeting.

A motion to approve the minutes from the meeting of February 15, 2017 was made by Mr. Green and seconded by Ms. Miller. The minutes were approved by a chorus of ayes.

III. Vote to close meeting to discuss the approval of the Park Southern 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 Park Southern Apartments transaction. A motion to close the meeting was made by Mr. Green, seconded by Ms. Miller, and followed by a chorus of ayes.

The meeting was closed at 5:38 p.m. and resumed at 6:15 p.m. Board member, Stanley Jackson arrived during the closed session.

IV. Postponed Consideration of DCHFA Eligibility Resolution No. 2017-05 for Park Southern Apartments

After resumption of the open session, Mr. Binitie indicated that the Board was not ready to reconvene to discuss on the resolution, and that further deliberation would occur after additional review by the Agency and a site visit by the Board.

V. Consideration of DCHFA General Resolution No. 2017-06 Regarding the Authorization and Approval of a Program to provide Multifamily Housing Finance Options Through the Use of a Master Bond Parity Indenture

Mr. Lee presented:

The DCHFA Office of Lending and Neighborhood Investment, run by Mr. Christopher Donald, was identified as the primary beneficiary of the proposed action.

Per Mr. Lee, the Agency funds the majority of its transactions through a private placement conduit model, by which the Agency receives fees. The is suboptimal in that it limits the Agency's ability to control the deal structure.

Mr. Green asked why the Agency doesn't believe that it can currently control multifamily transactions. He then asked whether the Agency has standards about tax credit. He then elaborated on the power that the Board has to withhold deal endorsement absent the satisfaction of "controls" set by the Agency.

Mr. Lee responded that deal structure is typically established when application to the Agency is made. Mr. Green reiterated his view that even when a transaction structure is pre-established, the Agency maintains the ability to exercise control over the final product. Mr. Lee maintained that Agency control would be greater when exercised at deal inception. Mr. Green pointed to Mr. Lee's desired timing of control, not variation in ultimate control as the distinction in their positions.

DCHFA Treasurer, Pi Tao Hsu stated that DCHFA involvement through the proposed trust indenture would provide the Agency with greater control over pricing, and the earned spread. Mr. Green inquired on the comparative cost of funds between Maryland's State's CDA-issued debt and private bank-issued debt.

Mr. Lee interjected that the purpose of the proposal was to authorize the creation the indenture, which is a vehicle for housing yet-undeveloped products. Mr. Lee indicated that as products are developed by Agency personnel, pricing comparisons like the one requested by Mr. Green can be provided to the Board. Mr. Lee then stated that preliminary modelling, the Agency believes that it can lower transactional fees and double the amount earned on transactions operating through the use of the parity indenture. Mr. Green inquired on the source (i.e. project/borrower) of the Agency's increased earnings. Mr. Binitie also inquired on the likely impact to transactions executed through the proposed structure. Mr. Donald indicated that transactions executed through the parity indenture promise to be advantageous to the Agency and the borrower in that typical DCHFA fees would be eliminated and the Agency as lender would step into the shoes of the private lender in its execution of the transaction, and receipt of related fees. Mr. Donald then stated that it was thot the Agency's intention to transact every Agency financed deal through the trust indenture.

Mr. Green asked whether higher administrative cost would be incurred through the proposed structure. Mr. Lee responded in the negative.

Mr. Binitie asked, and Mr. Donald confirmed that the Agency would greatly increase its income from fees under the proposed structure (i.e. potential increase from 40bps to 120bps).

Ms. Miller asked to be walked through the process of executing a loan under the proposed indenture as currently envisioned, asking specifically whether a transaction would sit on the Agency's balance sheet until completion, at which point it would be placed in the parity indenture. Mr. Lee responded by first citing the transactional flexibility offered through the indenture, and then proceeded to outline an example wherein the Agency, once approved as a HUD 50-50 risk share lender, would underwrite and close a deal using HUD risk share insurance, fund construction, and sell the debt to the parity indenture at FHA pricing. He explained that the agency could incur construction period risk or alternatively request a borrower letter of credit during construction. In the case of a rehab loan, the Agency could use the FHA risk-share product and then sell the paper to its parity indenture. The agency could also partner with a "desk lender" (e.g. Berkadia), and use Fannie Mae's new rehab product. That lender would the sell the MBS back to the Agency, which it could securitize and sell complete with Fannie Mae backing through the parity indenture. Per Mr. Lee, the end result of each outlined scenario would be an efficient execution that benefits both the borrower and the Agency. Per Mr. Lee, a longer term benefit of the indenture would be its ability to support "weaker" but "important" deals through reserves amassed through prior successful executions. Mr. Lee maintained that over the longer term, a successful indenture could provide critical deal subsidy.

Citing bureaucracy and transactional cost, Mr. Green stated that based on his experience as a consumer of the proposed product, it is not well executed in other states. While he voiced appreciation for the benefits (flexibility, etc), but expressed desire to learn more about the planned programming. He then reiterated that increased control is not the unique benefit of the proposed indenture. Given that the agency is not currently resource constrained, but the Agency should create a policy to maximize the flow of resources to affordable housing. He then discussed the constraints on additional “soft money.”

Mr. Binitie asked Mr. Lee for procedural steps following Board approval of the resolutions. Mr. Lee indicated that after the Board retreat scheduled for April 11th, the Agency will complete and present a fully analyzed set of proposals. Mr. Binitie charged the Agency to focus on the benefit to the customer. Citing his knowledge of the Virginia Housing Development Agency’s (VHDA) heavily staffed lending arm, Mr. Binitie also asked the Agency develop clearer explanation of procedure and resources needed for execution. Mr. Lee pointed out that VHDA tends to the state of Virginia. Mr. Green stated in response that the proposed structure would require increased underwriting and due diligence. In response to Mr. Green, DCHFA Interim General Counsel, Michael Winter maintained that the Agency currently underwrites agency deals. After some discussion over the impact to agency workload, Mr. Binitie concluded the discussion by charging the agency to clearly define the following: Benefit to HFA; benefit to stakeholders, processes for execution; and plans for resultant income.

A motion to approve the resolution was made by Mr. Jackson, and seconded by Ms. Miller. Mr. Lee then called for a vote, which was taken by poll. All present members voted in the affirmative. Before casting his vote, Mr. Green voiced concern and hesitation not over the proposed program, but the process by which it was initiated. Mr. Lee indicated that during the 30-day DC Council review period following Board authorization, the Agency will work to develop product details. Mr. Green then left the meeting.

Mr. Binitie asked, and Mr. Lee confirmed that the approved parity indenture would complement the HUD risk share product. Mr. Binitie asked whether HUD risk share authorization will be complete when the Agency returns to the Board with request for further authorization. Mr. Lee responded in the affirmative.

VI. Consideration of the DCHFA General Resolution No. 2017-03(G) Regarding the Selection of Managers as the Firm to Provide Information Technology Consultant Services for the Agency's Single Family Programs Division and Compliance and Asset Management Division.

Fran Makle, DCHFA Deputy Executive Director presented.

Per Ms. Makle:

Good evening Mr. Secretary, Mr. Chairman and members of the board. I'm here tonight to request recommendation for the approval of procurement of information technology consultant services.

As part of the plan that I presented in January, this RFP was already out at the time and is contemplated for us to move forward to enter into a contract for IT services to assist with the procurement of software for single family programs and the compliance and asset management.

The scope of services includes assistance to single family and compliance and asset management in documentation of current work flows, provide expertise on potential changes, aid in the preparation of a functional and technical requirements, create the scope of services for the RFP for both single family and compliance and asset management, assist in the review of the proposals and assist in the implementation.

The RFP went out in December. It was sent to 49 DC Certified Business Entities (CBEs) from the list provided by the DC Department of Small and Local Business Development (DSLBD). Forty-eight vendors pulled down the RFP from the Agency website. The Agency received the following four proposals.

- DigiDot trading as Document Managers (Document Managers). Proposal amount: $91,190.
- Tangem Conglomerate. Proposal amount: $250,000
- Tudor Holdings, LLC. Proposal amount: $255,000
- Avasant. Proposal amount: $1,340,000.

The Agency interviewed the top two candidates, Document Mangers and Tangem Conglomerate. The Agency found that Document Managers provided it with the best price and the best solution.

Per Ms. Makle, Document Managers has a unique pricing structure. Its pricing is based on the number of 'touches.' By contrast, the other bids were based on duration of the engagement without regard to actual work (ie "touches".)
Document manager's estimated "touch time" is four months.

And the next proposal had an estimated duration of a year, was priced at $250,000 for the first year, with a price renegotiation thereafter. The remaining bids were similarly structured.
Document Managers will perform the assigned work for $91,190, regardless of the duration.

Mr. Lee asked, and Ms. Makle confirmed that she interviewed the top two applicants. Mr. Jackson inquired on Document manager's experience. Per Ms. Makle, Document Managers produced the EasyPay system for the DC Department of Employment Services (DOES). Document Managers has 72 paid employees. Tangem Conglomerate has 26 employees.

Counsel to the Board, Thorn Pozen asked whether discussion of bid amounts, bidder employee levels, etc. are commonly discussed in open session of Agency Board meetings. Mr. Binitie answered in the affirmative. Mr. Binitie asked whether Document Managers references were checked. Ms. Makle answered in the affirmative.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Mr. Jackson and seconded by Ms. Miller. The resolution was approved by a chorus of ayes.

Ms. Makle then explicitly stated for the record that Document Managers is a District resident-owned business, a local enterprise, and a disadvantaged vendor, which resulted in 12 bonus points during scoring of the applicant bids.

VII. Executive Director's Report

- On March 1, DCHFA executed a subrecipient agreement with the DC Department of Housing and Community Development for the co-administration of the Housing Purchase Assistance Program (HPAP). By the time of this Board meeting, the Agency received three applications. Mr. Binitie inquired on the amount allocated to the Agency for co-administration. Mr. Lee indicated that the

Agency's allocation was reduced. Lisa Hensley, Director of DCHFA Single Family Programs clarified that the reduction in funding to $11 million was due to its allocation for the remainder of FY 2017.

- The National Conference of State Housing Finance Agencies (NCSHA) Annual Legislative Conference was underway at the time of the Board meeting. Falling Low Income Housing Tax Credit pricing was a prominent topic of discussion at the event.
- The Agency is dispatching DC Open Doors letters of congratulations from Mayor Bowser. At the Deputy Mayor of Planning and Economic Development's request, a flyer providing information on the District's available 311 and 911 services will be attached to the Mayor's letter.
- The Agency will establish DCHFA-specific emails addresses for Board members, through which all Agency-related correspondence should occur.
- The Board retreat will be led by facilitator Ken Glover, who wants to interview Board members prior to the retreat.

VIII. 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.

The meeting was closed at 7:16 p.m. and resumed at 7:38 p.m.

XIII. Adjournment

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

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 7:39 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on March 7, 2017.

Approved by the Board of Directors on March 7, 2017.