

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
BOARD OF DIRECTORS MEETING**

March 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 5:30 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 at roll call: Buwa Binitie, Sheila Miller, and Bryan “Scottie” Irving. Stephen M. Green arrived immediately after the roll call, and was announced by Mr. Lee.

II. Approval of the Minutes from the March 7, 2017 Board Meeting.

A motion to approve the minutes from the meeting of March 7, 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 the public body, its staff or negotiating agents concerning a position to be taken in negotiating the price or other material terms of the Yard Parcel 2 transaction; a new line of credit with Industrial Bank in an amount not to exceed \$3 million for the agency's administration of the Home Purchase Assistance Program; an extension of the loan agreement with PNC bank for a credit line in the amount not to exceed \$15 million to finance agency facility improvements and single family and multi-family program financing. 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 5:20 p.m. and resumed at 6:40 p.m.

IV. DCHFA Resolution Number 2017-05G regarding approval of an extension of the PNC Bank line of credit

Mr. Lee introduced DCHFA Treasurer, Pi Tao Hsu, who presented the following information:

The staff has determined that it is in the best interest of the Agency to renew the existing line of credit with PNC Bank.

The recommendation was based upon the following considerations:

- The current volatile and generally rising interest rate environment
- Credit market conditions
- The Agency's possible interest costs
- Risks of accelerated debt service payments upon termination of the existing line of credit
- The proposed amendment to remove a current, onerous financial covenant

Present Board Members made no comments, and asked no questions.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Mr. Green and seconded by Ms. Miller. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

V. Consideration of DCHFA Resolution Number 2017-04G regarding the approval of a new line of credit with Industrial Bank to support the management of the Home Purchase Assistance Program

Mr. Lee introduced DCHFA Treasurer, Pi Tao Hsu, who presented the following information:

With regard to the New Line of Credit with Industrial Bank in an amount not to exceed \$3 Million for DCHFA's Administration of the Home Purchase Assistance Program (HPAP):

The staff recommended that the Board adopt the Resolution to authorize and approve a new revolving line of credit in an amount of \$3 million with Industrial Bank to enable the Agency to administer DHCD's HPAP Program.

The recommendation was based upon the following considerations:

- Critical timing of the procurement
- No collateral requirements of the Agency
- The Agency's ability to utilize the services of a DC Certified Business Enterprise firm

Present Board Members made no comments, and asked no questions.

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Mr. Green and seconded by Ms. Miller. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

VI. Consideration of DCHFA Resolution Number 2017-07 for The Yards Parcel 2

After being introduced by Mr. Lee, DCHFA Development Officer, Carrie Fischer presented the following:

The principal developer and Sponsor of the project is FC 1346, LLC.

Additional members of the development team include:

- Forest City Residential Group as construction manager
- WDG Architecture; is the architect of record
- Forest City Residential Group will be the property manager
- Clark Construction will be the general contractor

The project, located in the Near Southeast neighborhood in Ward 6, consists of the acquisition and construction of a mixed-use development consisting of 191 multifamily units and approximately 6,200 of retail. The project will be built on vacant land known as Parcel O2, which is located on the former Southeast Federal Center now known as The Yards. Along with the Nationals Baseball Stadium and other nearby multifamily developments, retail and office development, The Yards is transforming an area that consisted primarily of government owned land or land used for light industrial purposes into a vibrant transit oriented mixed use and mixed income neighborhood. The complex, which will have a 7 and 9 story tower connected by a grand atrium will be built to Leadership in Energy and Environmental Design (LEED) silver standards and will feature 2 levels of underground parking (155 spaces for residents), neighborhood serving retail on the ground floor and 191 units of mixed income housing with 20% of the units affordable to qualified renters. The total development cost for the development is approximately \$93 million or \$487,000 per unit.

Since the initial Eligibility Resolution the ownership structure of this transaction has changed. Initially Forest City was the Sole Member of the Sponsor. Forest City sold their managing member interest to EPDL, LLC., allowing Forest City to minimize construction risk.

The new ownership structure now consist of EPDL, LLC whose members include Ed Pelavin, David Levey and Alyse Pelavin TTEE 2012 Irrevocable Trust and Forest City Realty Trust.

This structure and an option agreement in place between FCRT and EPDL will facilitate FCRT entering the ownership structure at a later date. Forest City will serve as construction manager. Guarantees will jointly and severally be provided by Forest City Realty Trust, Ed Pelavin, and David Levey.

On Financing:

TDC of approximately \$93 mm will be financed with long term tax exempt bonds, Low-Income Housing Tax Credits (LIHTC) equity and developer equity.

The long term debt financing, will be funded from the proceeds of the issuance of tax exempt bonds directly purchased by Citibank.

The developer will select a tax credit investor prior to the Project being placed into service

The total capital stack is as follows:

- \$55 million in long term tax exempt bonds
- \$3 million in equity raised through the syndication of low income housing tax credits,
- \$ 35 million in Sponsor equity

On the Program:

191 units with the following bedroom mix:

- 16 efficiencies
- 119 one bedroom units
- 26 one bedroom w/dens or lofts
- 30 two bedroom units

The building will feature an indoor/outdoor grand atrium, a green rooftop sundeck with bocce courts, hammocks, a gaming lounge, a conference room, a private dog run, and as previously mentioned 2 levels of underground parking for both bikes and automobiles.

20% of units, or 39 units, will be set aside at the 20% at 50% AMI level for both bonds and tax credits. The balance of the units will be market rate.

The restricted tenants will have access to all amenities in the building without charge with the exception of parking, which will be offered for a fee.

Ms. Fischer then introduced development team member, Mr. Abe Naparstek, Senior Vice President in the Residential Group of Forest City Enterprises. After referencing the 66 units of affordable housing located at the DCHFA-financed Arris development, Mr. Naparstek introduced David Smith, Vice President, and Development at Forest City Washington. Mr. Smith then introduced Andre Banks, Director of Social Inclusion for all Forest City projects in the District of Columbia, Buddy Werner of WDG Architecture. Mr. Smith then discussed the building program, and character, which he described as having an “art focus.”

He then discussed the development’s planned communal activities, and space that includes a rooftop courtyard, lounging areas and grills; a shipping container to serve as an office; and a game room. He also stated that the 39 equally-sized affordable units are disbursed throughout the building.

Mr. Smith then indicated that all Forrest City projects in the District of Columbia met 35% Certified Business Enterprise (CBE) contracting requirements. He then introduced Mr. Banks. Mr. Banks stated that Forrest City focuses on small and disadvantaged businesses, which it involves in every phase of the development process. Mr. Smith then opened the meeting to questions from the Board of Directors.

Mr. Binitie asked whether Forrest City had additional planned development in the immediate area. Mr. Smith answered in the affirmative, and identified “Parcel L” as the next property slated for development. Mr. Naparstek interjected, and discussed Parcel L and the properties surrounding it (including a DC Water-owned facility). He described Parcel L as a 264 residential unit property with hotel, which will be the subject of a so-called “80/20” DCHFA bond application.

Mr. Binitie inquired on whether Forrest City -developed properties in immediate area “cannibalize” one another. Using the Arris and Bixby developments as points of comparison, Mr. Naparstek responded that while the referenced properties are all “80/20” transactions, they target different renters and have very different price points (\$370/sq.ft. vs \$3/sq.ft.). He indicated that lease-up on both of those projects has been “strong.” Mr. Binitie asked for clarity on Mr. Naparstek’s characterization. Mr. Naparstek responded that the first move-in at the Arris was March 1st with 78% current occupancy. He then stated that Bixby began leasing at roughly the same time, with roughly 65% current occupancy.

Mr. Green asked how many units are being leased per month. Mr. Naparstek indicated that it depends on the season, but the rate ranges from 12 to 24 units per month, expressed his comfort with the lease-up rate at both properties, and discussed the contribution of neighborhood amenities and location to the strength of the neighborhood submarket.

Mr. Lee asked Mr. Naparstek's whether absorption is ahead of schedule. He responded that the Arris is ahead of schedule, and the Bixby is on schedule.

Mr. Binitie asked whether lease-up at the referenced properties involves renter incentives. Mr. Naparstek responded that one-month concessions have been given. Mr. Binitie asked whether those concessions were contemplated in initial underwriting. Mr. Naparstek responded that said concessions were contemplated for initial lease-up. He then discussed DCHFA-financed Foundry Lofts, which he indicated are 95% occupied, with no incentives after stabilization.

Mr. Irving inquired on resident totals in the Yards development footprint. Mr. Smith gave an estimate of 1,000, which Mr. Naparstek revised to an estimate of 700. Mr. Irving then asked about the timing of development for yet-undeveloped properties within said footprint. Mr. Naparstek indicated that those are currently owned by DC Water and the District government. He indicated that Forrest City is working with DC Water to discuss construction of a movie theatre at its site. Mr. Irving asked whether Forrest City controls the referenced properties. Mr. Naparstek responded in the affirmative, but made clear that ownership currently rests with DC Water and the District government.

Mr. Binitie asked for explanation of the borrower involvement in the day-to-day operation of the development, and overall structure of the borrower entity. Characterizing the transaction as a "facilitator structure," Mr. Naparstek responded that the borrowers are not involved in the day-to-day operation. Forest City is putting up guarantee that requires seeing the project through to completion, while the borrower is supplying a significant amount of equity, or with a loan of additional equity from Forrest City.

Mr. Green inquired on the presence of joint and several liability amongst the parties within borrower/developer team. Mr. Naparstek confirmed its existence. Mr. Green then discussed his desire that the actual borrowers be in attendance for Board action on their application. Mr. Naparstek termed that "a fair comment."

Mr. Binitie then called for a vote. A motion to approve the resolution was made by Mr. Green and seconded by Ms. Miller. Mr. Lee then took a roll call vote. All present members voted in the affirmative.

VII. Executive Director's Report

- The DCHFA senior staff participated in an offsite management retreat on March 2nd. Discussion focused on Agency culture. Agency goals and objectives for calendar year 2017 were also discussed.
- The second edition of Agency newsletter, *The Homefront*, was circulated on the day of the meeting. Mr. Lee thanked DCHFA Public Relations Manager, Yolanda McCutchen for her work on the document, which the Agency plans to publish, quarterly.
- Mr. Lee invited Board Members to attend the Washington Business Journal's "Best Real Estate Deals" award ceremony to be held Thursday, April 27, 2017. DCHFA-financed Beacon Center and Conway Residences are both honoree developments and eligible for the "Deal of the Year" award.
- DCHFA was informed that its Level One Risk Share application was approved by the Department of Housing and Urban Development. Mr. Lee thanked staff for its work on the application.
- Mr. Lee then discussed staff preparation for the Board of Director's retreat scheduled for April 11th, which included information on the approved HUD application discussed earlier. Mr. Binitie and Mr. Green then asked about scheduling and logistical details of the Board retreat, which Mr. Lee provided.
- Mr. Lee introduced Christopher Miller, DCHFA Housing Investment Officer, and discussed his general job duties.

XIII. Adjournment

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

The meeting adjourned at 7:10 p.m.

Submitted by Todd A. Lee, Secretary to the Board of Directors on April 25, 2017.

Approved by the Board of Directors on April 25, 2017.