

HOUSING PRODUCTION TRUST FUND BOARD
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
GOVERNMENT OF THE DISTRICT OF COLUMBIA

Meeting Minutes

Thursday, February 29, 2024
12:30pm

Zoom Meeting Recording Link:

[HPTF Advisory Board Meeting – February 29, 2024](#)

Passcode: **G5SR#&0B**

WELCOME

Susanne Slater, Chairperson

The DHCD Housing Production Trust Fund (HPTF) board convened virtually on Zoom, pursuant to notice at came to order at 12:39 pm. Susanne Slater, presiding. Quorum was established.

Board Members Present:

Susanne Slater
Charles Lowery
Chapman Todd

Also Present:

Colleen Green, DHCD Director
Chris Earley, DHCD Deputy Director
Valerie Piper, DHCD Housing Development Advisor
Joe Knackstedt, DHCD DFD Manager
Anna Scallet, DHCD Special Project Coordinator
Nena Perry Brown, DHCD Project Manager
Grace Champion, DHCD Project Manager
Alicia Shames, DHCD Program Analyst, HPU
Nina Fakolujo, DHCD Program Analyst, HPU
Bridgette Ashton, DHCD Project Manager
Tiphonie Jones, DHCD Project Manager
Lionell Gaines, DHCD Community Development Resource Specialist

MEETING MINUTES

Chapman Todd motioned to approve the meeting minutes. The motion was seconded by Charles Lowery. The meeting minutes were unanimously approved.

DHCD UPDATE

Director Colleen Green

Director Green shared DHCD is working to fill the vacancies on the HPTF Advisory Board. On February 15th, the FY 2023 Performance Oversight Hearings for DHCD and the HPTF Advisory Board were held. During the hearing, there were questions around the production of units at 30% Median Family Income (MFI). In FY 2023, 43% of HPTF funding went to the production of units of households at 30% MFI, which was a 20% increase from the previous fiscal year. Director Green explained there is a growing awareness of how financing from the HPTF layers with other funding sources to enable the production of housing across all income spectrums. DHCD emphasizes the total number of units produced across all income spectrums, rather than the percentage of HPTF expended at a specific income level. There are other concerns with production in Rock Creek West and other high-opportunity areas. The high cost to acquire property, before any proposal for gap financing can be made, is a major barrier to placing more affordable housing in these areas. Director Green highlighted available funding tools that can address these concerns. Director Green shared Mayor Bowser's Downtown Plan will not have a specific plan for the use of the Housing Production Trust Fund (HPTF).

LEGISLATIVE UPDATE

Valerie Piper

Valerie Piper highlighted legislation impacting the production and development of affordable housing:

Greener Building Requirement Amendment Act of 2024, this bill amends the Green Building Amendment Act of 2006 to repeal the requirement that residential projects that are District-owned or District instrumentally owned or where at least 15% of the total cost is District-financed or District-instrumentally financed, maintain net zero energy compliance. Has the effect of imposing this requirement on affordable housing at the same time as other residential projects, when building code changes are enacted in 2026.

Housing in Downtown Tax Abatement Technical Amendment Temporary Act of 2024, Supports the revitalization of downtown DC. The bill will amend the law authorizing tax abatements for housing in downtown by: authorizing the abatements to be awarded through a competitive process, extending the timeframe for applicants to obtain certificates of occupancy, and requiring that the Tenant Opportunity to Purchase Act exemption be recorded in the covenants required to receive the tax abatement.

MOTION: Bi-monthly Legislative Update

Charles Lowery motioned to move the full legislative update to a bi-monthly basis. The motion was seconded by Chapman Todd. The motion was unanimously approved.

HOUSING PRODUCTION TRUST FUND UPDATE

Joe Knackstedt

Joe Knackstedt provided an update on the HPTF, the report included 2024 estimates from all projects DHCD funded in 2019 and 2021. When DCHFA makes bond awards, and DHCD will adjust the projects that are not selected for bonds back into 2025. Like last year, the HPTF produced 43% of units for households at 30% MFI, and 51% of units were produced for households at 50% MFI. The allocation

for next year based on what was just added to the pipeline was selected out of the Consolidated Requests for Proposals (RFP). There are 7 projects tracked in the HPTF pipeline for 2025, they are 9% low-income housing tax credits (LIHTC) or non-LIHTC projects. One of the projects is a DC Housing Authority (DCHA) project, where all the units are vouchered, and the units are covenanted at 50% MFI. This is an example of multiple-funding sources creating issues with reporting on the HPTF. There are many units covenanted at 50% MFI, when they serve residents at 30% MFI.

DISCUSSION: Land Partnerships

Valerie Piper

Valerie Piper and Joe Knackstedt led a discussion on land partnerships, and explained they contemplated different approaches to land partnerships.

Joe Knackstedt explained the initial focus was understanding the unique approaches adopted by different jurisdictions, notably San Francisco and San Jose. This includes not only the city of San Jose but also its county, which implements consistent strategies across all projects awarded within its purview. Like the District's HPTF, San Jose city and county provides funding utilizing a sale-leaseback structure for every transaction. In San Jose, for instance, there's a provision for a hard payment upon project completion.

Valerie Piper shared this structure mirrors typical examples seen in large-scale public housing redevelopment, where private partners operate on public land under a lease agreement. This arrangement reinforces asset management functions, affordability covenants, and strengthens enforcement mechanisms for maintaining affordability standards.

Joe Knackstedt highlighted how DHCD introduced a standalone plan partnership with provisions in the FY 2024 Budget Support Act (BSA) to operate a program separate from HPTF, allowing earlier engagement in project development cycles. While this hasn't materialized yet, it's part of the ongoing efforts to optimize project financing structures and enhance long-term benefits.

The HPTF Advisory Board engaged in a discussion about long-term lease terms. When looking to extend the lease beyond 45 years, it's a straightforward process. However, there hasn't been a significant impact in the short term.

Valerie Piper shared an experience in a different market where ground leases were not standard practice, and she was asked for a 99-year lease with two 99-year extensions. Once lenders became more familiar with the structure, concerns were alleviated and the structure was used multiple times.

The HPTF Advisory Board highlighted anecdotal examples of lenders becoming comfortable with longer-term leases, especially given Fannie Mae and Freddie Mac's duty to serve requirements. This was true in homeownership and rental projects, although the transfer of land to a CLT (Community Land Trust) for perpetual stewardship sometimes preferred to the District holding land for 99 years.

Joe Knackstedt said there are multiple ways to structure acquisitions in homeownership, including transferring loans to eventual buyers, provided a CLT manages stewardship. The rental side typically follows a similar process each time, but the homeownership model can vary depending on market factors and ownership structures. While government-owned leases are common in some countries, the US market's condo regime often necessitates a different approach.

The HPTF Advisory Board discussed how the shared equity model through CLTs can be effective in dealing with high land costs and enabling diverse households to access homeownership. However, it

may not be attractive to higher-income homebuyers due to equity appreciation restrictions. The HPTF Advisory Board explained further the context of the neighborhood plays a crucial role in attracting buyers. For example, developments in areas like Skyland faced challenges despite being more affordable, highlighting the need for a balanced approach to foster mixed-income communities. The HPTF Advisory Board said on the rental side, having another tool in the toolkit ensures units remain affordable in perpetuity. This is particularly beneficial in high-opportunity neighborhoods, where permanently affordable housing is scarce.

In terms of impact on rent levels, we haven't observed any significant changes due to operational challenges and aggressive underwriting practices. However, in high-opportunity areas, acquiring properties earlier may help secure sites and reduce carrying costs, lowering project costs over time and making affordable rents more feasible. This would benefit both residents and developers.

Valerie Piper spoke about the potential for using land partnerships with DOPA (District Opportunity to Purchase Act), although currently funding for DOPA offerings is not available. Exploring options like RFPs with leaseback agreements could significantly reduce developer acquisition costs.

ADJOURNMENT

Charles Lowery motioned to adjourn the meeting. The motion was seconded by Chapman Todd. The meeting adjourned at 2:03 pm.