



# GOVERNMENT OF THE DISTRICT OF COLUMBIA

## Minutes

November 28<sup>th</sup>, 2018  
6:00 pm to 8:00 pm  
DC Housing Finance Agency  
815 Florida Ave NW  
Washington, DC 20001

### Attendance

**Present:** Jade Hall, Paul Hazen, Louise Howells, Amanda Huron, Vernon Oakes, Lolita Ratchford, Ana Van Balen, Elin Zurbrigg

**Absent:** Sandra Butler-Truesdale, Janene Jackson, Risha Williams

**Council Staff Present:** Barry Weise

**Guests Present:** Kathryn Howell, Michael Milliner

The regular meeting of the Limited Equity Cooperative Task Force was called to order at 6:08PM on November 28th in the DC Housing Finance Agency conference room by Chair, Paul Hazen.

### Proceedings

*Presentation by Michael Milliner:*

- **Introduction:** Building Partnerships LLC; Specializes in affordable housing projects since 2005; works with various churches and CBO's. Michael is a Development consultant for co-ops and tenant advocacy groups. He is a "helping hand" for development companies in getting the whole project done from start to finish. His firm has purchased and sold multiple properties. They have worked with Enterprise community partners - faith based initiative.
- **Presentation:** Financing Challenges
  1. 66% HPTF Limitation
    - a. 66% is not feasible for most projects (including LECs)
    - b. LIHTC projects can receive up to 49% HPTF, including about
      - i. 30% and public funds/equity with 4% bonds, for total of 79% public funding
      - ii. 60% and public funds/equity with 9% tax credits, for total of over 100%
  2. Preservation Fund Process
    - a. Interest
      - i. The interest on a bridge loan borrowed from the Preservation Fund is maintained until construction closing. Meanwhile, NOFA applications are submitted until approved and completion of architectural

- drawings, permit and closing process. This adds over \$200,000 in interest for the project.
- b. Bridge Lender Underwriting Limitations
    - i. Two extremely difficult new challenges:
      1. Bridge loans must be in the range of 140% to 150% LTV
      2. Bridge loans must be made without DHCD approval, leaving the bridge lender vulnerable in taking a big risk
  3. Subsidy Limitations
    - a. Priority for subsidies awarded through the NOFA go to Permanent Supportive Housing (PSH)
    - b. PSH fits well with new construction and all newly created vacant construction
    - c. PSH not a ready fit for cooperatives with existing residents focused on non-displacement
  4. NOFA Scoring Limitations
    - a. There is a severe limitation for prioritization scoring of cooperatives
    - b. The vast majority of prioritization scoring strongly favors new construction
  5. Timeline Extended
    - a. Extended development period due to repeated NOFA submissions
    - b. Adds to interest carry, critical repair, maintenance and construction costs
    - c. Uncertainty of approval impacts resident confidence in selecting cooperative vs rental

*Presentation by Kathryn Howell:*

- **Introduction:** Assistant Professor at the Center for Urban and Regional Analysis, a Division of the L. Douglas Wilder School of Government and Public Affairs at Virginia Commonwealth University. Kathryn has been working with the Tenant Purchase Working Group and CNHED to collect and analyze research data on co-ops in the District. Her research interests include affordable housing, gentrification and community development.
- **Presentation:** Origins of LECs intentional communities, TOPA, HUD programs
  1. Function of change time and market created the geography of where cooperatives are in the district.
    - a. A rise in TOPA notices from 2006-2016.
      - i. Bulk of LECs are in smaller buildings.
      - ii. 75% of TOPA buildings were under 21 units
      - iii. Ward 1 has the most 21-50 unit buildings.
    - b. Average total price and per unit price of TOPA notices by year have gone up from 2013-2016; it is now more expensive to acquire buildings and to provide critical repairs and rehab.
      - i. Co-ops are located in higher AMI neighborhoods.
  2. Next steps: Holes in the data, list of co-ops from DHCD/Tenant Purchase Working Group research
    - a. What is closest to the truth on the status of co-ops? Have they broken off into condos? Market rate? Many rabbit holes.
      - i. How do we strengthen the data to do analysis of census tract data like carrying charges, incomes, covenants, location, number/mix of units. Survey of technical assistance providers?
        1. In-depth case studies to understand strengths, opportunities, and threats?

2. Research to be conducted with grad students, hiring others, and then come up with policy recommendations
- ii. Timeline for the CNHED 2019 study: Initial findings?
  1. Maybe in the Spring after the universe of LECs is analyzed? How does it look next to market level, census data, etc.
  2. Initial findings will include case studies and interviews from winter to mid-spring. Mixed methodology to gather this universe of data, including on whether the buildings are converted or closed or signed a buyout.
  3. Outcomes of initial analysis depends on technical assistance providers providing the data and allowing access to tenants they have worked with over the years.
  4. Final recommendations are expected in August.
- iii. Hypothesis of what expectations to find:
  1. Several ideas and challenges identified
  2. There is some hesitation on what they look like across the board because one bad co-op could overshadow all the great co-ops
  3. Understanding the tenant organizing will be a big piece of the results as well

*Survey on 2004 CNHED Recommendations:*

- **Discussion on survey questions:**

1. Stability and ongoing maintenance for co-ops
  - a. Public financing can create a mechanism to check in on co-ops
    - i. Opportunity that's been advocated for is a Directory of technical assistance providers
2. Technical Assistance
  - a. Nobody has power over the co-ops when things go terribly wrong. There's nothing in place to handle the few bad co-ops.
    - i. There is a need for a type of self-management or shared management to a certain level, then the training will have long-term value.
    - ii. Tenants are all capable and can manage themselves. There may be a need for resources in the next CNHED report's toolkit that can allow for good management.

*LEC Task Force Workplan & CNHED 2019 LEC Study Timeline:*

- **Discussion on timeline of final recommendations:**

1. Task force workplan until the conclusion of the CNHED 2019 study
  - a. Will the task force take an intermission?
    - i. No, subcommittees will continue to meet and share information
    - ii. Briefings and recommendations of meetings to be reported at monthly task force meetings
  - b. Research progress
    - i. 6 months vs 9 months
      1. 6 months to report on initial findings
      2. 9 months to make recommendations based on data
  - c. Task force preliminary report/summary
    - i. Barry Weise from Councilmember Bonds office requested that the task force provide a preliminary report to Council on its

progress before making final recommendations with support from the CNHED 2019 study's findings in the Fall

- **Motion to extend the task force workplan around the initial findings of the 2019 CNHED LEC Study: *Passed***

**Agenda for next meeting**

- Focus will be on asset management and training
- Discussion of Recommendations of the CNHED 2004 Report
- Subcommittee briefings

**Adjourned**

Meeting was adjourned at 8:00PM by Chair, Paul Hazen. The next meeting will be at 6PM on December 12th, in the University of District of Columbia's David A. Clark School of Law.