GOVERNMENT OF THE DISTRICT OF COLUMBIA

Housing Production Trust Fund Advisory Board

ORIGINAL

Housing Production Trust Fund Advisory Board Meeting

Leveraging the Housing Production Trust Fund

10:06 a.m. to 12:16 p.m.

Monday, May 5, 2014

DHCD, Housing Resource Center

1800 Martin Luther King Avenue Southeast

Washington, D.C. 20020

Board Members Present:
DAVID BOWERS, CHAIRMAN
STANLEY JACKSON
JAMES KNIGHT
SUE ANN MARSHALL
ORAMENTA NEWSOME
M. CRAIG PASCAL
ROBERT POHLMAN
JACQUELINE PRIOR
DAVID ROODBERG
MICHAEL KELLY
NATHAN SIMS, DEPUTY DIRECTOR
MARTHINE BARTEINE WILLIAMS
BEATRIX FIELDS
ANDREE CHAN-MANN
Presenters:
BRYAN DICKSON, CITI COMMUNITY CAPITAL
MARK DEAN, CITI COMMUNITY CAPITAL

P R O C E E D I N G S

MR. BOWERS: Okay, ladies and gentlemen. I want to welcome everybody.

All right. Good morning to everyone. It is 10:06 a.m. on Monday, May the 5th, 2014. This is the District of Columbia Housing Production Trust Fund Advisory Board. I am David Bowers, Chairperson, and I'm calling our meeting officially to order.

I want to welcome everyone here. Board members should have a packet, and why don't we start with a call to order and the establish of the quorum. I know we have Oramenta Newsome, a board member who is on the phone, so she is present. David is present.

Bob, can we just go around and have folks establish themselves?

MR. POHLMAN: Bob Pohlman, CNHED.

MR. KNIGHT: Jim Knight, Jubilee Housing.

MS. MARSHALL: Sue Marshall, Community Partnership.

MS. PRIOR: Jackie Prior, Morris and

Gwendolyn Cafritz Foundation.

MR. JACKSON: Stan Jackson, Anacostia Economic Development Corporation.

MR. BOWERS: That's great. Well, we do have a quorum present so we are good to proceed. Thank you, everybody, for being here.

As we will proceed as we see in the agenda on the meeting summaries, at our June meeting we will review -- spend time reviewing, actually at our June meeting, minutes from the last couple of meetings. So we will do that then.

I also do want to give an update on the April meeting, our stakeholder meeting. We do have a write-up on that. We will spend a good amount of time at our June meeting going through that document and kind of reviewing some of the recommendations that came up, and that can be shared.

I am going to e-mail that document to folks by tomorrow. It's a write-up from the facilitator, Marisa Gaither at Green Door

Advisors, and so we were just trying to look at some of it so, I'm going to ask -- I'll e-mail it to board members and staff to ask that people please take time to review that. It's about six pages long. There are a couple of pages with some of the recommended action items that came at the end of the meeting. So I'm going to ask folks to take time to look at that ahead of time before our next meeting, and come prepared to discuss any of those recommendations that we think may be relevant for us to consider offering up to DHCD.

Some of the things that were talked about, actually, I think are already in motion in some form. Some of them were more recommendations that might be taken up by an individual organization or sector. But there are a few things that could be on the table for us to recommend for the city. So, again, you will receive those by tomorrow and then we will spend time drilling down on those at our June meeting.

Any questions on that or the meeting

summaries before we proceed to number 3?

(No audible response.)

MR. BOWERS: Okay. Update on Leverage Working Group. Bill Batko was not able to be here today.

Director, I don't know if you or Nathan or anyone wants to give the group an update on how that work is proceeding on the funds.

MR. KELLY: Yeah, I'll start and have Nathan kind of share with you, the details of what I thought was a pretty productive meeting. We met with some lenders in the area a couple weeks ago and presented the ideas around that came out of this Advisory Board, about credit enhancement and about establishing a capital acquisition fund. Both fundamentally using our Housing Production Trust Fund as the backbone to mitigate the risk from the private sector lender side, so that they can actually lower their interest rates and look to increase loan to value opportunities, particularly in areas east of the river.

MR. SIMS: Yes, sir. Our next meeting is on May 14th here at DHCD. I think it's from 10 to 12, and at that meeting we will focus on kind of drilling down a little bit more in detail as to how we intend in getting more bang for our buck and using other jurisdiction models as examples.

MR. KELLY: In a recognition of Oramenta's work in this, you know, talked about the importance of the philanthropic community, and a lot of the ideas about the predevelopment funding and getting started kind of money continues to be a big issue. And it's also one though I think that we've kind of bifurcated our strategy such that if there is a credit enhancement partner that wants to partner with us right now we would be in a position to enter into this negotiation sort of like right now.

But we're also looking for the larger one, being this acquisition, capital acquisition fund. There still needs to be a little bit more thought put into it. But we're hoping that that

thought gets crystallized by no later than mid summer so that we're in a position of actually actualizing this new program come October 1st.

MR. BOWERS: That's good. Anyone have any questions? Board members, any questions for DHCD about those efforts?

Jim Knight?

MR. KNIGHT: I guess one that comes to mind is, appreciate the desire to move that quickly and have something land that quickly. Understand that the current planning process largely involves the lending community. I just want to raise the suggestion that at some point practitioners, developers are in that conversation so we won't create a product that doesn't fit all the needs or some of the needs.

MR. KELLY: Absolutely. I spoke to Bob about that recently and it would be good to either have, you know, an outshoot of this forum or an outshoot of Bob's group if everyone thinks it's okay, to have those kind of discussions. In terms of establishing the guest list of the

actual, as your saying, Jim, you know, the folks that are actually twirling in the vineyard to have their opportunity to share what the -- our discussions. Because right now, clearly, it's something we're excited about. But there's the dangers in the details and how much -- particularly around what we consider to be a consolidated underwriting world. It could be something that the banks -- and we think it's a great deal. But actually, now practical can it be on the developer's side and the non-profit developer's side particularly, is something I think we need to hear from those folks.

MR. BOWERS: And, Mr. Director, maybe -- we obviously have the list of folks we invited and the folks who were present at the April meeting, perhaps even as a nice way of follow-up. Not necessarily in the context of the Trust Fund Board, but just as DHCD's follow-up to some of the people who were present at the April meeting, because that was a mix of some non-profit developers and some mission minded for-profits.

Perhaps inviting them as, you know, a subset of that group to be a part of the discussions might be a nice follow-up to that, even that April meeting.

Other thoughts or questions? Bob.

MR. POHLMAN: Yeah, just in that regard. I'm sure you've talked about this and thought about it. But, you know, if there's going to be a comprehensive acquisition fund, you know, is it going to cover TOPA, for example, which is a very different kind of a thing; has different players. Particularly if the tenants want to acquire the building. It's a very different matter, higher risk matter than just the normal transaction. So those kind of discussions I think will be key to just what will the fund do and what won't it do. You know?

MR. KELLY: Is it currently thought of to be the tool for TOPA acquisitions as well?

MR. SIMS: I think, I mean, in the other jurisdictions across the country, it includes everything. And we talked about the forum. I

don't think we should treat TOPA as it is radically so different. It is really just that it's a different owner, ownership structure, at the end of the day. It's still acquisition to some form of permanent. So I don't think we should kind of reinvent the wheel if we don't have to. But I mean, it's envisioned now, what acquisitions would go through that.

MR. KNIGHT: And so I don't disagree with what you said, but just to -- one of Bob's -- an implication of Bob's point, I think. In the TOPA acquisition model, the tenants aren't going to have any capacity beyond the property itself. And so the risk profile is obviously different in the financing.

And to get kind of a one-size-fits-all underwriting criteria that includes on the one end, an owner that has nothing beyond the building to on the other hand, an owner with a big balance sheet, that there's a lot of variation in that continuum.

MR. SIMS: I think that it's largely more

the discussion piece. It's not necessarily -- I mean, those things are not going to be captured in underwriting. But they'll be captured, I think, more so with requirements. Because if you have -- I mean, it's still going to be a loan to value, it's still going to be whatever kind of ratios we decide on the front end. But I think to what you're saying, I think is really around their level of sophistication and opportunity to help them become more sophisticated and more savvy, which I think is a little bit different than the underwriting piece.

I agree, but I think it's --

MR. KNIGHT: Just a lot to be considered.

MR. KELLY: Yeah, exactly. So as we start to -- you know, one of the challenges that we have collectively here is how do we potentially manage $100 million worth of trust fund monies moving into the future. And one of the challenges is, is how do we bring all of our partners up to a point of sophistication, for lack of a better word. And I think that as we

look at the existing partners with the tenants around tenant opportunity to purchase, that level of sophistication needs to rise as well, I would think.

MR. BOWERS: Other thoughts or questions on that? Concerns, issues, anyone wants to bring up on that?

It sounds like, for sure, again when we look at I think even our June meeting we drill down on some of the follow-up in the last meeting and we'll see kind of how that May 14th meeting goes and see where the thinking has gone, Mr. Director, even in terms of bringing in the voices of the developers to kind of inform the process as well, so we can get updates then.

But thanks for that suggestion, Jim.

MR. KNIGHT: And I guess just one more comment for our awareness. So that's sort of practitioner-level view. At the fund-level view is currently thought that the acquisition fund would be a subset of SAFI and live under the SAFI carve out in the regulations?

MR. SIMS: Yeah, that's right.

MR. KNIGHT: So, I think maybe even more germane to our advisory role is just to pay attention to how it's structured and what's required in order to empower it and such.

(Cell phone ringing.)

MR. BOWERS: Absolutely. Yeah, that's right.

And one of the things we'll just kind of stipulate here on the record, that as to the extent that the Trust Fund dollars will be used as the primary, either the source or one of the primary sources for these funds, one of the things we've been saying since we first convened was just lifting up the reminder what the statutory requirements are in terms of the income bands around 40 percent going to zero to 30, 40 percent going to 30 to 50, and of course at least half has to be used for rental, which typically is not a problem in this town.

So we'll continue to just lift that up and keep an eye. And one of the good things,

too, we'll do it in a formal setting with us as a Board. Myself and Oramenta are, as two of the board members are also around the table with our organizations, Enterprise and LISC, as part of those conversations as well. So we've got a couple of different touch points on this going forward.

Other thoughts, concerns, questions?

(Phone noises.)

MR. BOWERS: Oramenta, you may want to put your phone on mute. We're hearing the good folks from Amtrak.

(Laughter.)

MR. BOWERS: Thank you. Thanks a lot. I love the Amtrak sounds.

Okay. So that's good. So we'll move on, then, to number 4. I want to welcome, as part of our ongoing conversations, one of the things we've been doing, as folks remember since again we were brought together, is really looking at how do we leverage. And I know Deputy Mayor Hoskins, Director Kelly, many a number of folks,

Milton and others, have been bringing up this notion of how we need to really try to leverage the city's money and get as much bang for the buck in order to meet the goals that were laid out by the Housing Task Force.

And just for the record, again, by way of reminder, kind of three high level recommendations. Two of which are most germane to us. One is around producing or preserving 10,000 net new units by 2020, the 10 by 20. And the report also called for preserving 8,000 expiring units as well. And I think those were the two most -- recommendations most germane to us as a board.

And so this is, again, we've been bringing in a number of different speakers to examine different options for leveraging different thoughts. And so I want to thank our good friends from Citi, who were snowed out, actually for one of our -- one of our board meetings got snowed out. So I want to welcome Bryan Dickson and Mark Dean from Citi Community

Capital, and I appreciate them being flexible with us to reschedule when we got snowed out.

And so, gentlemen, I will turn it over to you. That clock is a couple minutes fast, and so what I've asked them to do is take up to 40 minutes for a kind of presentation as well as time for Q and A. And so, I'm sure we'll have plenty of time for the dialog. So I'll turn it over to you guys and what we'll try to do is get through this part, why don't we say by 11:15? So I think we've got a little bit of flexibility. So, go ahead.

MR. DICKSON: Sounds great.

MR. BOWERS: We can always do like they do on the Senate, yield back time if you need to. But don't feel rushed.

MR. DICKSON: Well, hopefully we have enough discussion where we don't have to do that. But thank you, David. I appreciate being characterized as flexible, although when we had, what 12, 13 inches of snow on the ground and we had to reschedule, I don't think we had any

choice. The whole city was shut down. But as David was saying, we were intending to come in March and it's nice to see such a beautiful day outside.

When I met Mark outside of his hotel this morning he was talking about how beautiful it was here, and boy this is really a change from what we've been experiencing.

MR. BOWERS: Yes, very different.

MR. DICKSON: So. But, I'm Bryan Dickson with Citi Community Capital's Mid-Atlantic Office. My primary responsibility is for --

MR. BOWERS: Just give me one second. Everyone have one of these? Let me make sure that if folks don't --

MR. DICKSON: We have plenty of copies.

MR. BOWERS: Yeah, we have --

MR. DICKSON: Plenty of copies.

MR. BOWERS: Okay. I just want to make sure. Thank you, sir.

MR. DICKSON: Oh, no problem. As I was saying, I'm Bryan Dickson with Citi Community

Capital's Mid-Atlantic Office. It was primarily responsible for debt production in primarily the affordable housing space in the Mid-Atlantic area.

I have been in the multi-family housing finance business for 18 years; spent time working with Jackie at Freddie Mac. I was there for 11 years.

My experience encompasses production, asset management, and underwriting. I just want to say to David, and all of you, that we very much appreciate being invited to be here today. Not only being invited to be here today, but I was also fortunate to participate in the stakeholder's discussion, which I thought was an excellent discussion to get the process rolling in terms of leveraging the Trust Fund dollars to the greatest extent possible.

And I'm also participating in the working group, and just want to express our gratitude for being invited to play a role in that process.

MR. DEAN: Great. I'm Mark Dean. I am

with Citi Group and Citi Community Capital. I'm the National Head of Production, which makes me the guy at Citi who is responsible for getting out dollars out the door across the country.

And I also have the great pleasure of having been the Regional Area Director for D.C. for about three years or so prior to doing that. So I have an interesting job in that I live in the other Washington and manage this Washington, as well as the country. It requires a little bit of airplane time, but I'm, you know, pretty familiar with the whole Mid Atlantic region from those activities. But my responsibilities now really govern the entire country for Citi.

Hopefully what we can do is bring some of our experience on a national basis to, you know, think about ideas and issues. We are very much real estate people. You know, I think that differentiates us from a lot of firms. We are heavily focused on real estate. And within that Citi Community Capital is solely affordable housing.

We do some market rate as kind of -- as a side. But last year Citi Community Capital financed 162 projects, about $2.6 billion of debt. So this is what we do. And hopefully we can bring some ideas and some experiences to help you think through some of your issues.

I think the goal here is that Bryan and I are going to speak from our Citi experience, but also to some degree speak from generic banker. So that we way we do things at Citi might be dramatic -- is not dramatically different from the way they do them at another institution. There might be some fine-tuning around the edges. But you know, I'm here to speak as a banker. Not necessarily just a Citi banker.

And then probably the other thing that, you know, that hopefully we can do is bring some focus. I think it was Jim's comment. We look at this business holistically. We're one source of capital. There are other sources of capitals in the transaction. So as we talk about some ideas and some thoughts we'll give you our perspective

on how others might react. Like the comment about having -- expanding your developer's group.

You know, obviously I think an important inclusion to that might be what are the interests and objectives of the LIHTC investor, because they actually influence how we as lenders behave from time to time.

So again, I think our thoughts and approach here is to be, you know, somewhat generic and holistic as we approach the business of financing affordable housing. So.

MR. BOWERS: Great. Thank you.

MR. DICKSON: So, I think the crux of what we want to talk about is leveraging the trust fund to the greatest extent possible to achieve what we think are the stated objectives of the fund. And so what we've attempted to do is capture what we think are objectives of the fund and, you know, by the way I would like to have this be an interactive discussion to the fullest extent possible. But really start out by defining what we know are the objectives of the

fund and then have that flow through to a discussion about how to implement some specific thoughts and ideas to meet those objectives.

First of all, you know, we know that 10,000 affordable units by 2020 is a very significant goal. It's an objective that is going to require a lot of ingenuity and a lot of energy to meet. And we know that preserving 8,000 expiring units is going to be just the same.

That seems to be the objective that we hear most about, and that we most need to address. But within that objective we have some policy goals. We need to allocate the Production Trust Fund money. At least 40 percent of those funds need to be awarded to benefit extremely low-income individuals; zero to 30 percent AMI households.

At least 40 percent of the funds need to be awarded to benefit low-income housing; low-income households. And 50 percent of the funds have to be awarded for the development and

rehabilitation of rental housing. So we have lots of constraints that we have to work within in terms of meeting the objectives.

I think as we -- one thing we need to consider, particularly as we've talked about implementing a guarantee program, which was much discussed at the stakeholder meeting and at the working group meeting, we need to think about how are these guarantees going to be captured in fulfilling our obligation? How are they going to -- you know, what are the mechanics and specifics of the guarantee being captured and put to use?

And I just put that out there. We've talked conceptually about it, but I think we, you know, as a working group, as stakeholders, we need to think mechanically as to how it's going to be implemented.

I previously mentioned preservation of affordability, but we also know that the ultimate objective is to stabilize and revitalize neighborhoods within the District of Columbia, which I think we're all dedicated to trying to

do.

But one thing we'd like to do is have the working group have stakeholders think about some additional policy objectives. You know, we've talked a lot about using other people's money. You know, I think we need to be deliberate about that. You know, can we establish that as a policy objective? You know, because we know that we have a group of people here at the table today who want to implement that concept. But, you know, the affordable housing problem, affordable housing issue, is going to live on. We know that.

And if we're intentional about staining a policy of using other people's money, we know that that idea, you know, can be sustainable in the future.

Another suggested additional policy objective would be to maximize LIHTC credit value. Meaning there are a lot of low-income housing tax credit projects that are moving forward within the City of the District of

Columbia. But I think that it would be wise to think about how to maximize the amount of equity dollars that are going into these projects.

And how do you do it? Well, one way to do it, one specific way to do it is use the trust fund to create a bridge loan product, whereby tax credit investors can increase their yield, DHCD can provide a bridge loan in the context of a LIHTC transaction that will increase yield and help bring more dollars into a nine percent tax credit project in the District.

So that's one additional suggestion that we have in terms of policy objective. And then finally you know, maximizing the value of this tremendous resource that we have in terms of recycling trust fund monies back into projects as quickly as possible. You know, I think that's to the benefit of the Fund in terms of maximizing the leverage; putting the -- improving the velocity of the trust fund dollars.

Today, traditionally, monies let out in a soft subordinate position, and the money goes out

the door for 40 years and you know, may not come back. And if it does come back, it takes a long time to do so. So, we need to be deliberate about, as we're thinking about setting objectives, improving the velocity and having trust fund monies come back into projects as quickly as possible.

So, those are just a few of suggested additional policy objectives that we came up with as we were thinking about the existing objectives of the trust fund.

I think that that segues into capital. We have -- thank you, David. We have a tremendous amount of capital at our disposal. I think we're in somewhat of a unique position as it relates to that. And the problem that we're trying to solve is how to best utilize that capital. You know, we've had $100 million at our disposal to help pursue some of those objectives that I discussed. But in terms of putting that capital to use we really need to think about some of the hurdles that we face in trying to do that

and I think Mark is going to speak about that.

MR. DEAN: I'll take the clicker.

MR. DICKSON: Yes.

MR. DEAN: So, I've been providing money in one form or fashion for about 30 years. And I'm going to take, if you will indulge me, a few minutes this morning to kind of walk through some of the observations about the money providing business and successes we've seen and lessons that we've learned. Because I think it helps -- I think one of my objectives today, and you'll probably curse me for this, is to help you think like a banker. Okay? Which is a terrible, terrible thing. Only being an actuary might be worse.

So, but again, you know, providing capital is a very empirical business. There's a very objective standards that we use. That's the easy part of this discussion. Then there were subjective standards that get applied. Again, it's a holistic. You know, you've got to look at a transaction from a holistic perspective.

And so I start out with -- I'm going to go through some slides that we developed. We were asked by the City of Seattle and the Washington State Housing Finance Commission to come in and help them evaluate and really develop a program to provide a different type of housing, workforce housing, which was housing for wage earners that didn't meet the low-income set-asides, but still very much wanted to be, you know, located within the city limits of the City of Seattle. And there wasn't a whole lot of programs or entitlements to facilitate that.

So the next few slides kind of come from a little bit of that discussion. And I want to start out with talking about what the forms of capital are, because it is part of what you have to think about as you do this, in my opinion. Obviously economic or financial capital. That's pretty easy. That's money. We know about that.

And as, you know, Bryan mentioned, your objectives is to figure out how you use the most of other people's money to the extent you can,

maximize the use of all those resources, this is the objective part that is, you know, very nuts and bolts numbers.

Intellectual capital. That's part of what you're doing today as in terms of soliciting from your stakeholders and participants, what sort of intellectual capital can help you achieve these goals.

I'd also suggest, and I'm not sure who brought it up, but it was on that side of the table. Intellectual capital is a barrier for providers of capital to help you do this. We have concerns, not from an objective standpoint, but from a subjective standpoint about the capacity of a developer or organization. So capacity building is to some degree at issue.

Going back to, you know, a big developer with a big balance sheet, that's a pretty easy analysis. Well, we do transactions that are not for profit, that has a really good idea, $5,000 in the bank, and maybe an opportunity to buy land. Those deals do get done, but they're

relatively difficult to do. And that's because of the intellectual capital that's required from the money providers. As well as the intellectual capital on the development side.

So I mention that because some other places in here I'll talk about barriers to getting bankers or fund provides to the table. Intellectual capital is part of that.

Obviously political capital, this room is filled with political capital. Social community capital, the same thing. Emotional capital, I think we spend almost all of our emotional capital by the time we get a deal closed. But nonetheless, there is emotional capital into a transaction.

If you will indulge me a little bit, factors regulating capital. How do bankers, how do funders think? And this is, I apologize, it's kind of an E-Con 101 sort of discussion. But some of these concepts are important because they're concepts that you need to think about as you design what you want to do in terms of how

you deal with it.

First and foremost is scarcity. That's the fundamental of e-con. You know, society has unlimited wants and needs, and a limited amount of resources. It means you've got to allocate your resources. You've got to be disciplined.

You know, the distribution of capital is a relatively disciplined business.

Subjectivity, you know, I mentioned a lot of this business is objective. But there is also a fair amount of subjectivity. You know, funders have likes and dislikes. There are some markets that Citi, on a national basis, we would never went to go to X, Y, Z market because we had a bad experience. Everybody else loves that market. So there's subjective factors that come into the discussion about allocation of capital.

And then obviously capital, going back to financial capital, it's subjective in terms of what the owner's expectations are. When we make loan decisions we think about all sorts of things, including you know, what our Community

Reinvestment Act needs are in a particular jurisdiction. And the Community Reinvestment Act is simply, is a requirement that banks be good corporate citizens. They display that by making investments in the community. Affordable housing is a very significant investment in the community. So CRA is a subjective factor that comes into the allocation and pricing of capital.

Inequality, it just ain't fair. You know, life isn't fair, resources aren't distributed fairly, you know, sometimes that results from controllable factors, sometimes it results from noncontrollable factors.

Obviously competition. Competition in the distribution of capital is a very good thing. Lack of competition is a bad thing. So, you know, as you think about how you enter this space, to the extent you have a product or a program that works with X, Y, Z bank competing against A, B, C bank for the same potential project, that's great. That means the money is going to be cheaper. The terms are going to be

better.

So to the extent there is -- you facilitate competition from private sector as you deploy your money, I think that's a very good thing for the end result.

Imperfection. My wife tells me this every day. Things aren't perfect. And probably the biggest thing there is this is an observation of just having done this a long time. The desire and the want to do everything everywhere is often the biggest barrier to doing something. And it goes back to, you know, we at Citi Community Capital know what we do. And that's really all we do.

If somebody called and said, hey Mark, I have a great opportunity for market rate apartment project in Downtown D.C., it's 50 percent loan to value, which is really low. And you can charge treasuries plus 400 basis points, which is like really high rate, I'd say, gosh thanks, but that's not what we do. And we would pass on that business and we're very disciplined

about what we do, and we know that we can't be all things to all people. And it's certainly served our business model well, and I think it also serves other businesses well. So, you know, seeking perfection from an imperfect world, which you'll catch the spelling error there, I'd like to say that was purposeful. Okay? It wasn't.

MR. BOWERS: It's proof.

MR. DICKSON: It's proof.

MR. BOWERS: It makes the point.

MR. DEAN: It makes the point.

MR. DICKSON: It is proof.

MR. DEAN: You know. So, you know, being selective and being disciplined. Ignorance, you know, people just don't know. I mean, you know, information is a scarce commodity. Nobody knows everything. Again, my wife would suggest sometimes I think I know everything. Everybody is ignorant about something.

I'm amazed, having done this for so long, that I will talk with people that have been my client for 20 years, and they'll say, well, I

didn't know you did that. You know, and so, I know one of the things -- your objectives is to get information out and market and talk with your stake holders. Obviously that's incredibly important and again, it impacts how capital behaves.

Complexity, obviously all of you know that doing affordable housing is an incredibly complex process. There are direct consequences from what it is that we do, there are indirect consequences from what we do. I heard a great way of somebody describing this the other day, that from a finance standpoint you should stop when your layers of capital exceed the number of floors in a building. And I can't tell you how much time I would save if I had listened to that over the last 30 years.

So these are kind of factors that regulate how capital behaves. And then behavior of capital, rational choices, capital is allocated by a rational processing.

Yes?

MR. JACKSON: This is interactive, right?

MR. DEAN: Oh, absolutely.

MR. JACKSON: I wanted to just take me back there because one factor I think crosses several of those categories are some historical significance, historical factors. How do they impact the whole factors regulating capital where you have areas in a city that have not had the fruits of investments for sustained period of times? These areas are correlated with other social dysfunctional activities that occur in the city, low education, low teen pregnancy rate, high dropout rate, crime, et cetera, et cetera. How does those historical factors play moving forward with trying to create this whole notion of reinvestment or reinvigorating these market places that historically have had those kinds of pockets of disenfranchisement.

I would like to just hear that because what we're seeing here in our city now is, as the city core is exploded you're seeing now the aversions of economic renaissance moving into

core communities now. And how do you attract that kind of capital to want to help?

MR. DEAN: Sure.

MR. JACKSON: Because that's going to be to, I think to, what you were bringing up here, you've got limited balance sheet data to support a lot of things that you want to do. But there's a lot of opportunity to do it. So given those factors regulating capital and those behavior issues -- I know I stopped you before you were going there. I would love to see how we weave that in terms of our thinking to allocate resources to adjust those issues.

MR. DEAN: Sure. So, I'll give you -- I'll tie it back to this slide and I'll give you a relevant example, actually in the District. Okay?

So, I think that hits subjectivity and ignorance. Okay? Again, as a banker I have opinions about things, okay? And those might be -- I have perceptions about things. My perception is my reality. And so I may not like

a particular city, neighborhood, whatever, because of my historical past with it. Okay?

And so that goes back to it being a subjective judgment. The way you deal with that, that goes to the ignorance column. Okay?

My perception is my reality. Okay? And again, I'm talking about bankers in general. And so the only way that you're ever going to change the reality is to change the perception. And so it goes back to we routinely will -- from a practitioner's standpoint, Bryan's job and people like Bryan's job is to go out and find opportunities, bring them back and then process them through the organization.

We have folks that sit in places, you know, 2,000 miles away from D.C., 800 miles away from D.C., that he has to convince are good opportunities to deploy our capital. And quite often, you know, because of our subjective decisions, that requires education.

A good example is, we do a lot of -- we probably do of our -- we do a billion dollars

worth of affordable housing up and down the west coast. Okay?

West coast affordable housing looks dramatically different than east coast affordable housing. The economic demographics of the composition of the tenants, the physical plant looks dramatically different. And that's something that we had to do about three years ago here in the District, was educate within our organization, our stakeholders, the people who had to approve things asset management transactions, what affordable housing looked like in the District, and that it wasn't, you know -- we had folks who were comfortable with brand new ground up construction, four percent affordable housing, which you'd have difficulty differentiating from a market rate unit. They weren't used to seeing, you know, 50 units in Southeast. Okay?

And so what we did is we had a whole bunch of what I call, field trips. Okay? Where we were able to say, okay, for you to make the

decision you need to be informed. For you to be informed you need to go see the product. And so we literally, probably on two or three occasions, rented a big van, put all sorts of snacks and water in it. Okay? I'm known for snacks.

MR. DICKSON: That's key.

MR. DEAN: Yeah, that's key. Okay?

MR. DICKSON: That brings them in.

MR. DEAN: And then we had our credit people. We had the head of Asset Management come. We had our chief credit person come. We had some of his subordinates come. And we literally -- one day we toured them around nine projects?

MR. DICKSON: Yeah.

MR. DEAN: Nine projects. And by the end they're just like, let us go, let us go, we'll say yes. You know?

But really more importantly what they did is they saw it wasn't -- their perceptions were wrong. You know? And going back to ignorance. I mean, and we deal with that all the time within

our own organization. Okay? You know, and I can't tell you how many times -- I very rarely do it but because I'm an old-timer and I've got some credibility, I can say, David, you have the right to say no. But to say no you've got to go come look at this deal. Okay?

In fact, I think about that, this guy right here, when he was at Freddie Mac, said no to me on a deal in Seattle. It was a historic rehab, okay? He was sitting 3,000 miles away. He and my credit guy said, no, we aren't going to do that deal.

And I played that card. I said, okay, that's great. You can say that. But you know what? I've earned the right to have you guys come and look at this deal.

So Bryan, when he was at Freddie Mac, and one of his partners, my chief credit guy from Nashville, flew out to Seattle. They looked at the project, and I'll tell you today that the project is one of the most spectacular historic rehabs you've ever seen. And we did the deal.

So to answer your question, I think you deal with historically by presenting new information, and tying into that, you know, what the plan is. You know, the fact is that those are real people that live in there and again, D.C. is a great example because for us at Citi, affordable housing in D.C. looks a lot different than it looks in Los Angeles or San Francisco, or quite honestly even in New York.

Last story I'll tell. Fairway Park. Fairway Park transaction, O put under application before Bryan joined us. I am someplace in the country. I get a phone call from my underwriter who is from New York. And he said, there's no way we can do this deal. And I'm like, what? He goes, we can't do this deal. Have you seen the property? I said, absolutely I've seen the property.

And I kind of thought this underwriter from New York, I'm thinking New Yorkers are tough savvy people. He was scaredless (sic) from looking at the property. You know?

We did the deal; David's firm did the deal. It was a great -- it's a great transaction. Perceptions. The only way you can deal with them is introduce new information. So.

MR. JACKSON: Thank you.

MR. DEAN: Probably a longer answer than you wanted.

MR. BOWERS: I was actually going to say, I'm going to ask -- we'll pick up pace because as I flip through this deck there's a lot of meat that gets into some level of detail. I want to make user that we get a chance --

MR. DEAN: Okay. Sure.

MR. BOWERS: -- to get into some of the weeds, because I think there are going to be a lot of questions that come up.

MR. DEAN: Okay.

MR. BOWERS: So, keep going.

MR. DEAN: So, just quickly on behavior capital. It's rational; it has costs, monetary costs, opportunity costs. We constantly think about, if we make this loan what loan might we

not make. You know, because while we're a big old financial institution, we also are regulated on terms of the capital we have. So there's monetary costs, opportunity costs.

Capital is deployed to derive benefits, monetary benefits, utility, or happiness. Going back to your question, you know, helping the bankers see what the end-game is, is incredibly important.

Incentives, which is the negative -- it's really a negative statement of benefits that, you know, we also deploy capital because we need to from a CRA standpoint. And that's an important thing that, you know, helps us deploy our capital. It's something that you all should think about.

You know, we tell our clients, you know, go where the money is. To some degree, we're going to be talking about where isn't the money. You know? Because that's where you might want to deploy your money.

Marginal analysis. You know, we take a

look at each deal. It's kind of like a baseball player who goes up and doesn't think about the fact that he struck out against this pitcher. You know, this is the only time he's been at bat. And we look at the deal and compare it to, you know, what potentially our next opportunity -- the past is relatively irrelevant.

Relative analysis. When we look at our opportunities to deploy capital, we look at it and say, how does that compare to what else we can do. I mean, that's pretty simple. You know, we're a profit motivated firm, and most of your capital providers are going to be that way. So we'll look and say, how does this compare to the next potential opportunity? And sometimes that works really to the benefit of a provider, or of a consumer of capital, because we might have a significant CRA need. So we really need to get money out the door. Other times we might not. But it's a relative analysis to what's the next opportunity and how does that compare.

And the relative analysis really kind of

helps address the scarcity of capital. It's how we -- you know, how bankers and fund providers ration, you know, ration their capital to unlimited opportunities.

Mapping capital in affordable housing. This is really, the horizontal access is deeply affordable, market rate to the right, few resources, many resources. You know, deeply if -- I don't think this is a big surprise to anybody, but deeply affordable transactions, the nine percent tax credits got probably the most resources available to it. The, what I'll consider naturally affordable, or what we might sometimes call organically affordable project, the D.C. Rent Control Project, has very little resources available to it. Obviously market rate has, you know, virtually none.

And so this just kind of maps level of affordability and kind of level of resources. And why I think this is important is this is kind of something that you all need to think about as you go, hmmm, where is there a lack of resources?

Because that's where, if your capital, going back to forms of capital, has a social impact or desire, this is probably the space that you're going to go into versus, I would suggest, providing long-term financing for nine percent deals; probably doesn't have the biggest impact of your capital, because there's a lot of capital in that space already.

So I think about mapping capital in terms of where other capital sources are. And then what can you do to help attract more capital? What can you all do to attract more capital either in the predevelopment side? Or, you know, if you want to get a banker to hang up on you as quickly as possible, you call and say hey, tell me about your Land Loan Program. Click. Okay?

We'd actually say, hey, call the equity investor, they do land loans. You know?

So part of this is, what can you do to help bring capital into a space that it doesn't exist, leveraging other people's money. Okay? So that you can then extend your capital longer.

Also probably on this end of the spectrum, as Bryan mentioned, this is going to be -- these are going to be products that have higher velocity; how do you turn it over faster? You know? If you make a long-term perm loan, you're a long-term perm lender. If you're doing something on the short-term side you're going to maybe create greater velocity of your capital than you would if you had been doing something on the long-term side.

So, thinking about where all the capital is and how it gets deployed helps you think about leveraging your capital.

Couple things, and again, just kind of observations from doing this for a long time. One of the things I forgot to mention on an earlier slide is, when it comes to rational decisions, that all goes out the door when we talk about accounting. Okay? My daughter is a sophomore in college. And when she went to college she's like, dad, what do I do? What should I study?

And I said, sweetie, become an accountant. Okay? Because accountants rule the world. Okay?

I'm an accountant. I'm not a practicing accountant, but I'm an accountant. But it is. It's amazing that I think about the decisions that we make at Citi, okay, that are accounting derived. Okay? And you're kind of going, why the heck is Dean talking about accounting? Okay? It's going to come into some of these discussions, because if you do something one way, your financial partner might account for a particular way. Of if you did it another way, he or she would account for it a different way. And accounting matters. Okay?

So accountants, you know, accountants rule the world.

The box. Okay. The lenders and funders have a box. And you should expect that we all should be able to tell you what the box looks like. You know, it may be fuzzy around this edge, but I mean, underwriting parameters for

lenders and equity investors, objectively are generally the same throughout the industry. So we should be able to show you the box.

And knowing what the box looks like, I think is important, because if you want to attract capital, the more it looks like the box, the better. Okay? And that goes back to the -- go back into one of my comments about a relative comparison. Okay?

If somebody came to me and said, hey, you can make a $10 million loan, and if you account for it you have these exceptions, but I'll do this and make those exceptions come down to this, and it's really a good deal to you. Net, it's a good deal. Or you can just have that deal from an accounting standpoint that looks like a good deal from the very beginning. The economics to me are the same, right? I'm still in the same risk position, I'm' still getting the same return. But holy smokes, if it doesn't fit the box, then I'm going to say, you know what, that's really good but I can go over here and find this

deal that does fit the box. Okay?

And so understanding that there is a box and the closer you fit it, the better, in terms of both deploying your capital and the velocity of it, becomes important. And this is just -- we have a term that we use at Citi called straight-talk. Okay? This is straight-talk. This is, you know, I'd like to tell you, well, we can customize any solution for anybody. And we probably could if that's all we had to do was that particular deal. But Citi, like every other lender, is in the business of doing a lot of deals.

So the more you're -- the less of a stretch you're asking a funder to take, obviously the greater number of funders you'll get at the table, the more opportunities you'll get, the more competition you'll have, and hopefully therefore the greater amount of velocity and volume that you'll do.

So understanding and appreciating the boxes is important. And accounting goes into

that box, because when we -- any lender books a loan they immediately start accounting for it in a particular way. And so, we'll talk about the tradeoffs of like a loan guarantee versus a subordinate loan. And there are benefits to you of doing one structure over the other. There's benefits to us of doing one structure over the other. And those may be, you know, opposing objectives.

So, those are a couple things I forgot to mention. So, want to go into --

MR. BOWERS: No. Great. Great.

MR. DEAN: So when we were invited to participate in this meeting in March, we sat down and created a list. We really didn't have an idea of what DHCD was thinking about or anyone else for that matter, in terms of best ways to leverage the fund.

And so with respect to that, for today's presentation I kept the list the same so that everyone could see what we were thinking as we came up with ideas. And it's ironic that the

first three are really what's at the heart of our working group meetings that are talking place.

The first thought was, you could use trust fund money to provide loan guarantees or debt service guarantees to increase the amount of dollars being lent into a transaction by a third-party lender.

The next idea we came up with was create an acquisition loan fund. That model has been done around the country. And lo-and-behold, we're talking about that as well.

Actually, it might have already been created here at DHCD previously. I don't know if you'd consider SAFI an acquisition loan fund, but certainly, you know, it's akin to that.

Bridge loans. I mentioned it earlier in terms of providing an equity bridge to increase the value of low income housing tax credits. But you know, there are a number of types of bridge loans that could be considered. Warehouse financing, you know, create a mechanism for warehouse financing to make smaller loans, bridge

acquisition loans. You know, real short term loans.

MR. BOWERS: Let me ask you a question. On the -- well, keep going for the next line and then I'll have some.

MR. DEAN: Yeah. Yeah, sure. Mezzanine debt. Now we hear that talked about a lot as everyone is focused on, you know, gaping holes in the capital stack of an affordable housing transaction. Well, mezz debt is one way to fill it. And something to think about as DHCD considers how to leverage the fund better.

Land acquisition, we mentioned that previously.

The last one, when I mentioned it to Bill Batko his eyes, you know, went wide open. He's like, wow, that's a great idea. Securitization of the D.C. Detax Commitment, you know, as a way to really generate capital and recycle capital.

He said, well, that one might take a while, but that's, you know, that's a good one.

But, you know, so these are some of the

concepts that we came up with and it's certainly nice to know that that's consistent, I think. Some of these concepts are consistent with the thinking that's being done.

MR. BOWERS: I had some questions, Bryan, for you, Mark, and also I think folks on the Board to dial in on these examples.

The one question, Nathan, I'm going to actually start with you in terms of --

MR. SIMS: Sure.

MR. BOWERS: -- DHCD.

MR. SIMS: Uh-huh.

MR. BOWERS: In a typical, quote/unquote, typical year, what percent of the deals, roughly, that the Department does, are nine percent deals versus four percent deals, versus neither, none of the above? That was just one question.

MR. SIMS: I mean, just because of the sheer volume, nine percent credits that we have, I mean you know, maybe three to four any given year.

MR. BOWERS: Uh-huh.

MR. SIMS: In terms of four percents, they're quite common.

MR. BOWERS: Uh-huh.

MR. SIMS: And so that's probably --

MR. BOWERS: The bulk of them?

MR. SIMS: Not necessarily the bulk, but probably about somewhere between 30 and 40 percent.

MR. BOWERS: Okay. So the other question then, for I think Bryan and Mark. Or for anyone. So looking at these examples, which one, going back to your OPM, the other peoples' money, which one of these might provide the opportunity to leverage private capital the most? If there is such a thing. Or is it just, you can get to an equal amount of leverage just in different ways, or is there one of these examples where you say, hey, you know, District of Columbia City, if you did this, you could probably stretch your money and bring more private capital, you know, with Option A versus Option B.

MR. DEAN: Right. So one of the things

that we hear across the country is that, you know, not-for-profit developers having to compete with for-profit developers, and obviously you have TOPA here which helps regulate that significantly. But a space that we hear that there's a constant need for money is acquisition financing that may be necessary to bridge some time to a permanent financing execution that might be nine percents or bonds and credits. And we get those requests quite often. But those requests are generally accompanied with a lack of developer sponsor equity to pull off the request.

MR. BOWERS: Uh-huh.

MR. DEAN: So, one of the places that, at least looking nationally, we would say there's an opportunity to deploy money is, you know, could you take trust fund money that let's say -- SOME is a bad example, but let's just pick SOME because it comes to mind. SOME wants to acquire property and they need to do it on a relatively competitive basis. They don't have the equity to come to a bank and say, hey Mr. Bank, make me a

70 percent, 80 percent acquisition loan and I'll come up with difference.

MR. BOWERS: Right. Right.

MR. DEAN: Okay? That would be an interesting -- it would be interesting to look at that in your space and say, is that a great place for DHCD's money to go, because one, you're leveraging. You're getting, you know, for $30 of yours you're getting $70 of mine. And then the expectation is, you're out in two years when credits and bonds come together or when a nine percent award gets, you know, done.

So is that an opportunity? And again, just because we've seen it nationally doesn't mean that it's happening within the District. Particularly, I think, TOPA is a unique animal here versus other places.

But that's -- you know, using your money to help facilitate acquisition loans on their way to a permanent financing might be a good space.

MR. BOWERS: Uh-huh.

MR. DEAN: I have an interesting

conundrum on the guarantees. And this is something that you'd kind of need to sit down and talk with a number of stakeholders like Citi.

But going back to accounting and comparison, the loan guarantee -- we do use loan guarantees. And they're good transactions. We use debt service guarantees. They tend to be on one-off transactions versus a significant amount of flow business. A county might enter into a capital maintenance agreement, which is effectively a guarantee with a local housing authority that says, hey, if you finance this project and the project doesn't make enough money, we the County will inject money into the Housing Authority, who will inject it into the project. And we've effectively gotten the unlimited -- or the limited tax general obligation of the county. And that's actually a very ratable -- we've gotten those rated.

So guarantees work well, but we've seen them more on a project basis than a flow basis. One of the things that we would want to think

more about on the guarantee side, which I think your other financial partners might want to, too, is it's the optics. Okay? If you do a loan guarantee to get -- I'm going to use that $10 million loan example.

If you say, Mark, we need you to make a $10 million loan and we're going to give you a guarantee, and at $10 million it's a break-even debt service cover. And at $10 million it's at 90 percent loan to value, okay? But we'll give you a guarantee that gets the debt service down to 115, and it gets the loan to value down to 75 percent, that's the box you told me you like to see. Okay? I might look at that and that might cause problems for me because from an accounting standpoint I have to book a loan that's above what's called supervisory LTV. All banks have supervisory LTV.

I have to book a loan that's at break even debt service coverage. The optics of that are not the same as the reality. Okay? But the optics matter to me. Accounting matters to me.

So one of the questions is, if that's the objective, maybe it goes back to using your money in the way in which you've used it in the past, which is you make a subordinate loan to buy down the capital to a level that creates, you know, acceptable levels to bring private sector in. That's a discussion or a dialog, going back to having all the stakeholders in the room that I think needs to be had because a guarantee program, just my reaction of guarantee program that takes a low debt service cover, high leverage loan and economically buys it down, is going to be challenging for bankers to get their head around.

And then more importantly they're regulators to get their head around. So that's, you know, that's an issue.

And again, you can do it with a guarantee. You might do it with doing your subordinate financing instead. Or as Bryan mentioned maybe you securitize the revenue stream and you create a big pool of money and then make

the subordinate loans. There are some different ways to do it, but --

MR. BOWERS: No, that's good.

MR. DEAN: Yeah.

MR. BOWERS: Let me just do a time check. So we're at 11:13. I'm going to ask if we can go to 11:35, and then we're going to get a couple budget updates from DHCD's budget folks. So we'll go about another 20 minutes.

Let me ask a quick question on mezz debt and also securitization for the good of the order.

One thing, thinking about the mezz/subordinate debt, right, and what Mark described, we, Enterprise and I think other intermediary, LISC and others, hear this right, which is post-recession. A lot of developers would say, oh, now the banks are lending again, we can go get that 70 to 75 percent loan to value. Exactly what Mark described.

So one of the things, you know, I wonder if in the challenges, most intermediary lenders

won't take a second position, right? On like an acquisition loan. So I'm wondering, you know, with the SAFI model, nice, great, we've had good experience with it. Needs some improvements but kind of you get a one-to-one match, right? And the credit enhancement that the city provides will allow the lenders to be a little more aggressive on -- certainly more aggressive on loan to value.

I wonder if there might be a way where one of the approaches could be this mezz debt, where if the banks do 70, 75 percent loan to value, first position loan, and the trust fund dollars were used in an almost SAFI hybrid, right, where you say okay, so for that 30 percent, 25 percent gap of equity that's needed, and maybe say you require the developer put in two percent, five percent, whatever it is, but that the trust fund money would be used to fill that gap, right, on the mezz side. But also even doing maybe a SAFI model, because there are a couple options. One you could just say, all

right, DHCD does this subordinate lending directly. So the banks do 70, 75 percent, and DHCD directly does this subordinate mezz debt. That's straight forward.

If the issue or concerns would be about timeliness you say, okay, we'll use intermediary lenders in town because maybe they can move the money more quickly. So that's another way.

A third option could be almost a SAFI hybrid where you say, look, we're going to plant some money with some intermediary lenders to do the subordinate mezz, require them to still do the one for one match, we'll moan because we don't want to be in second position, but put in something that provide -- one, we're lending less money. So if it would have been a, you know, a $5 million transaction instead of trying to do five -- you know, two and a half of ours and two and a half of City money, now all we have to come up with is, you know, a million bucks, or a million and a half bucks, of which only 750 would be the intermediary money. And if there were

some, again, credit enhancement with the City's money, it may give those lenders more comfort on being in that second position.

So that just came to mind as I was looking at your slide and listening because that then leverages a lot more private money. Right? It has less Trust Fund dollars in a deal. So in that scenario you've got $750,000 of Trust Fund money in a deal as opposed to two and a half million dollars of Trust Fund money in a deal, comes to mind. So I just wonder if that might be something to put in the mix with again, I know -- oh, the other thing I was going to mention; the other thing it can get to is, for larger transactions. So one of the limit -- you know, there are certainly a number of buildings in town that you can get for under six or seven million bucks.

But for the larger transactions one of the limitations, right, is that most intermediary lenders, which is -- it's not a done deal that those would be the only lenders for this new

thing. I don't want to imply that, but it's certainly been talked about as intermediary lenders participating, we all tend to tap out at about five to $6 million for a max loan amount. Right? So again, this would be another way to get -- that moves that challenge off the table, because the banks can do much larger loans, and we're putting less Trust Fund money into a deal and leveraging more OPM.

So just a thought I want to throw out. Yeah, Jim Knight.

MR. KNIGHT: Can I paraphrase it, see if I'm hearing you right?

MR. BOWERS: Sure.

MR. KNIGHT: So where right now the SAFI program would have you guys in at 50 percent Trust Fund and at 50 percent in first position for the whole thing --

MR. BOWERS: Uh-huh.

MR. KNIGHT: -- you're asking whether the banks would be willing to do 70 or 75 percent.

MR. BOWERS: Uh-huh.

MR. KNIGHT: And if you guys split the second position --

MR. BOWERS: Uh-huh.

MR. KNIGHT: -- you've got the issue of a lien position.

MR. BOWERS: Uh-huh.

MR. KNIGHT: You might be able to get comfortable with second position if there's a credit enhancement.

MR. BOWERS: I wonder. Uh-huh.

MR. KNIGHT: On a trust fund. Is that kind of --

MR. BOWERS: That would be -- exactly. And that would be an issue. And I don't know what the answer to that is for us or other intermediary lenders, but it would certainly be something to put on the table, I think as part of the discussion for -- yeah.

MR. KNIGHT: What cities are action to that structure?

MR. DEAN: We have seen it in other places throughout the country. Thinking about

the, I'm the 70 percent of the money that comes to the table, everything -- in that structure everything below me is, call it mezz debt, call it second debt. You know, as long as I can foreclose it out it's really equity. And so that's attractive to me to bring me to the table.

You know, so I think that would -- and what it does is it gets people like me to the level -- you want the maximum amount of leverage I can deliver on a project. And you know, it might be -- you know, we'll go up to 80 percent LTV on projects. Still got to have debt service coverage, so there's some different constraints. But I mean, you should be thinking about, how do you deploy your money to get the most dollars from people like me into these projects. And that would certainly be a way of doing it.

MR. SIMS: I mean, from our side, I mean, that's kind of the same way. I mean, we're saying -- and that's why the conversation has to be, from our standpoint, what does that buy, because I mean, if we are to really truly

maximize our money we have to really do two things. We have to incentivize more participation on the private lending side. But we also have to be in a structure where I think, you know, Bryan hit on this earlier, how to recycle the dollars because I mean, frankly SAFI structure, you know, gap structure, the dollars aren't recycling the way it's supposed to be.

And so that's a concern. So if you keep saying a hundred million, well, if you could do a hundred million plus an additional in terms of repay and recirculation, then you can do more things. But if it's just 100 flat, flat, flat, it's going to get you something but not as much as that.

MR. BOWERS: Sure. The one other thing I was going to ask, and Bob, you may have more insights on this too, the securitization piece. The notion of the big fund. And I know even at the Housing Task Force level there is discussion of this super fund idea of several hundred million dollars, whether it was securitized in,

you know, Trust Fund dollars or tax receipts or whatever.

Any thoughts about could and should Trust Fund money be -- I know it's been securitized for new communities and we talked about that at some of their earlier meetings. But you know, how much bang for the buck could we get if -- you know, and I'm just using a number, $20 million bucks was put aside and securitized. Or 10 million or five million. Would that make sense and would it be workable, practicable, for the kinds of predevelopment acquisition needs that we are seeing, or on the perm debt side?

MR. POHLMAN: Well, the first thing that you would run up against on any kind of securitization, any kind of additional debt is the District's loan cap. And it's really up against that now. And anything, whether it's a TIF, this kind of a securitization, and so forth, is going to run into the loan cap. And so it's problematic just off the top in terms of doing it. And of course, yeah, it was already done or

tried. I mean, it was done with new communities and that is now been switched. The debt service has been switched over to the capital fund. But we pay 8 million, roughly, a year out of the trust fund for debt service on securitized bonds. So, it's always a possibility but right now it would appear that because the debt ceiling, it probably would be difficult to do.

MR. BOWERS: Okay. So I know I jumped in on these two because there were a bunch. But other thoughts or questions folks have on these two slides? There's still some slides to go but I know there's a chunk of like, suggestions.

Yeah, Bob?

MR. POHLMAN: Just what I'm hearing is that the loan guarantees in particular, might not have that much value for credit lender?

MR. DEAN: I don't want to say that at all. But I want to think about -- I want to make sure that we're thinking about the consequences of it. So I mean, the loan guarantees again, get everybody to the same economic spot. You know.

I mean, do you take me from a $10 million loan to an $8 million loan? You can do that with a guarantee. You can do it with a subordinate loan.

So I'm at the same spot. I would be concerned about thinking about from the volume standpoint, do you have -- are you asking the banker, whether it's me or J.P. Morgan Chase or B of A to book a loan that just needs special accounting and special treatment, and relative to what else I can do, takes a lot of time and attention. So I think it's just making sure we think about those things and have discussions about it. Because the economics are the same, right?

MR. POHLMAN: What I thought I heard was that it would get you into regulatory problems right away.

MR. DEAN: I would be concerned about it. We haven't talked with our regulators about it, but that would be something I'd want to make sure -- if that's the prescribed method, I would just

want to make sure that issue gets vetted sooner than later.

MR. KNIGHT: Sort of the other side of that, is there a difference to the District and $1 of mezz debt versus $1 set aside for a guarantee? How does that impact the District?

MR. SIMS: Well, I mean, in terms of mezz, I mean the mezz is already permitted. It's there. If we guarantee it, it burns off. So, we don't -- unless the lender wants to hold it, which we're not proposing, but it just burns off and we recycle it. I think that's the huge difference.

I mean, for us I think the whole part of this exercise is how we best leverage our dollars, but how we best recycle our dollars. So, and you have to have both, I think, in terms of making that work.

MR. BOWERS: Okay. Thank you.

MR. DICKSON: So the next two slides were really designed to stimulate conversation around guarantees. I think we covered in the discussion

that we just had, really. So, we even use some numbers and these numbers are here just to assimilate that.

So I'm going to -- Mark, unless you think there's anything here that we didn't talk about that you'd like to point out, I think I'm going to move on to the --

MR. DEAN: The underwriting thing?

MR. DICKSON: Some concepts about the acquisition fund.

MR. DEAN: Yeah. The only comment I would make is, as you think about options or alternatives, again, thinking about getting the lender to that $8 million number, if you did it with guarantees or a subordinate loan, from your perspective if you did it with a subordinate loan you're doing that on your terms versus lender terms. And so leveraging your money you probably are going to get more bang for your buck associated with that.

MR. BOWERS: I'm sorry. Say that again, Mark.

MR. DEAN: So, if we think about plugging that $2 million gap --

MR. BOWERS: Uh-huh.

MR. DEAN: -- if you do it with a guarantee you're doing it effectively, the lender is going to say, well, I need to see this, that, or the other thing. Okay? Where if you're doing it with your money --

MR. BOWERS: Uh-huh.

MR. DEAN: -- the lender just says, I need to see $2 million bucks.

MR. BOWERS: Uh-huh.

MR. DEAN: And if you want to amortize that over 40 years, so be it. You know, max amortization we go in anything we do is 35 years. So there would be a disconnect in terms of some of the underwriting criteria.

MR. BOWERS: Uh-huh. Uh-huh.

MR. DEAN: And thinking about, again, let's say that you just didn't have a debt issue with the District on cap, you know, you might get better economic terms leveraging your money in

the capital market and then injecting that money into the project, versus investing your money into the project. So --

MR. BOWERS: Got you. Okay.

MR. DEAN: It's a trade-off and analysis.

MR. BOWERS: Got you. Thanks. Okay.

MR. KNIGHT: Dave is --

MR. BOWERS: Yes.

MR. KNIGHT: Or, Nathan, is anybody running those numbers that you just named, that tradeoff between securitized money or originated money?

MR. SIMS: No, not yet.

MR. KNIGHT: It would be useful to see what that --

MR. BOWERS: Uh-huh. The tradeoffs.

MR. KNIGHT: What it costs versus what it produces.

MR. BOWERS: Uh-huh. Okay.

MR. DICKSON: Yes. So I'm going to skip ahead two slides. When we met as a working group a few weeks ago we discussed creating an

acquisition loan fund and there are a number of loan funds that were listed in a chart and I think Citi was involved in addressing the one.

MR. BOWERS: Uh-huh.

MR. DICKSON: So, we have a lot of experience to draw from internally, to bring to the table as that concept is discussed further. But I just wanted to put out a few initial thoughts about a loan fund based upon some conversations that I had.

And, you know, clearly the fund needs to create higher leverage. I think that's the fundamental premise of the whole concept of inserting trust fund dollars into the fund with --

MR. DEAN: Bryan, I would add to that first one. In addition to supporting higher leverage, it should also create the opportunity for leverage where the opportunity doesn't currently exist. And again, I'll use the acquisition loan where lack of equity keeps a lot of projects from moving forward, even at lower

levered bank standards.

MR. BOWERS: Uh-huh.

MR. DICKSON: Wanted to talk at least with folks at Citi about underwriting issues and some of the difficult hurdles that are faced in the funds. Getting adequate security during predevelopment acquisition and construction phase loans. You know, that's something that DHCD needs to think about in terms of how trust fund dollars can be utilized to solve that problem. You know, many of the entities that are pursuing doing a deal or a transaction don't have the wherewithal to provide adequate security. So that's certainly something that needs to be thought through. And I think we started having some of those discussions at the first meeting, which plays into the next bullet of underwriting smaller non-profits.

It's a difficult challenge. I don't know that there is a prescribed manual on how to do it. I think fundamentally everyone knows that partnering smaller entities with larger entities

seems to make a lot of sense. And there's been a lot of discussion about that. I think at the stakeholder meeting Director Kelly mentioned, you know, it's about marketing. And I think that to the extent that marketing can be applied, that would be helpful to bring groups together to ultimately help solve an underwriting problem, ironically.

So, thinking about that, one thing that we talked a lot about what bankers want to do, and they want to control underwriting and assist in developing the underwriting criteria. And I think that seems to be certainly well understood by the folks that are working on helping to leverage the fund further, merely by bringing lending institutions to the table to develop that criteria.

And finally I'll mention that it seemed like, in talking with folks who worked on the various funds around the country, that sometimes a program was created and there wasn't a pipeline there to start taking advantage of it right away.

MR. BOWERS: Uh-huh. Uh-huh.

MR. DICKSON: And so I think that's something that the pipeline needs to be developed while the program is being formulated. It's important that the money -- that the deals be there; the transactions be there when the program is created.

MR. BOWERS: We've got about three more minutes before we go.

MR. DICKSON: Yes.

MR. BOWERS: I do want to -- Bryan, in the last couple slides you all have, definitely want you to hit on these real quick because there are some good ideas I think you all have here for consideration.

MR. DICKSON: Yes. You know, I'll just mention them quickly and we can talk about --

MR. BOWERS: Sure.

MR. DICKSON: -- any of them that seem to strike a nerve.

We were thinking about how to advise the Board in terms of the award process and came up

with some ideas; some of which may be underway, some of which may not. Considering density bonuses for development around transit facilities using TIF districts to help capture proceeds, you know, and dedicate them to affordable housing.

You know, is the ultimate goal of homeownership being considered enough in terms of the award process and allocating funds out of the trust fund. Things to think about in that context are land leases, you know used -- you know, the Public Housing Authority is using land leases to develop mixed use projects. You know, does DHCD have the ability to use land leases to develop not only rental projects, but also projects that include a for sale or homeownership concept. Lease down programs, perpetual affordability restrictions, permanent affordability restrictions.

And then the final bullet point, consider award bonuses for services designed to impact the demand for affordable housing. I know that that's at the forefront, certainly using --

giving award bonuses for projects that involve adult skill training facilities and program support, after school facilities and program support, or any other program for that matter, that's designed to improve earning potential for adults and for children.

MR. BOWERS: Yeah. No, that's good. Let me stop, pause there and see, does anybody have any questions or thoughts on what you've heard of Citi before we wrap up here. And again, I want to make sure folks have a chance so obviously offline can really dig in the weeds on all the slides, and if it's okay to follow up, Mark or Bryan, with you all.

MR. DICKSON: Absolutely.

MR. BOWERS: Yeah, Stan?

MR. JACKSON: I just got one. In terms of getting creative in moving forward, but how do you address debt service rationales around the use of energy credits? I.e., if you do projects, large scale projects, and you can reduce your energy costs by 30, 40 percent and you can

dedicate that savings to help support and buy down debt over time, is that something that could be considered, if you can scale it? If you can create the kind of scale that would become economically viable, is that something that lenders would consider?

MR. DEAN: So, we've done some deals that involved energy savings. And there are -- the question that always gets posed to us is, how do you underwrite to that? How do you take something that maybe doesn't have a demonstrable background from an application and a success standpoint, and quantify that so that instead of underwriting $600, you know, in utilities, you're underwriting $200 in utilities.

And we have gotten there on many projects. And part of that goes back to sponsorship. Doing that for the well-healed developer that has the ability to maybe either provide us some sort of loan resizing guarantee if that doesn't come to fruition. That's one of the ways we've done it.

We would struggle with an application of that in a project where you don't have a well-healed sponsor that could address the issue if the savings didn't come to fruition. So.

MR. BOWERS: I know there's been a lot of work for years, for several years now, going on -- by a number of groups, Enterprise and others who care about green and sustainability around how to work with Fannie and Freddie and kind of getting the industry standards. And so it seems like we've come from having no products that take the energy savings into account from underwriting to having, you know, Fannie has a Green Refi Plus program. There's some pilot initiatives in New York and a couple of places.

And so there's still this push, I think, in the industry to make that an industry standard, and how do we do that. And there's some back and forth around, you know, how good is the data and then needing more data, et cetera, so that will come in.

Bryan, I did want to mention before we

close, a couple things in your recommendations that you all said, and Nathan and others at DHCD that would be interesting. The notion of the density -- all these recommendations, you know, the density bonus. And I think about a transaction that a number of folks -- you know, some of the transactions that are near transit hubs that have high per-unit costs, right, particularly when we think about who the Trust Fund is designed -- the monies are supposed to serve, that notion of -- and I think we as an industry have to look at this, right, public and private sector is if we're going to preserve affordable units for folks who are very low-income, and gentrified neighborhoods by definition, that's a high cost and a need for high subsidy.

And so I think we, again as an industry, have to grapple with if we're okay with that or not. And if so, it's going to have a cost that's higher than what is quote/unquote typical, and we have to be okay with that. So that's one.

Two, the notion of homeownership is interesting to me. A colleague of mine sent me a note about the house two doors down from mine that's for sale, and obviously I don't care to share this, this is all public information. So obviously you know, when I bought my home I was a, you know, late 20's something Hill Staffer, you know, making $45,000 a year who could, as you said organically -- there was some naturally affordable row house homeownership opportunities on that block for 120 to $160,000.

So my co-worker sent me an e-mail the other day that said, look, the house two doors down from yours is going for $860,000. Right? So as a homeowner, I'm ecstatic. As a resident and a citizen and as a professional in the industry, I'm appalled. Right? And like, completely disconcerted about there's so much naturally affordable ownership housing, not subsidized, but naturally affordable ownership housing that has been completely lost. Right? Completely lost. And it's not coming back.

And so the question is how can we, the collective we, be intentional about trying to help get some of that housing and keep it somehow as affordable for a generation. Because what I said to my co-worker is, the kid who is me now, you know, who I was then, who is now, he doesn't even need to come down my block. Keep going. Like keep going far out. And that's a problem, right? That's a real problem.

So anyway, I want to say that. So, let me thank, if we can, say Mark and Bryan a huge word of thanks to you all for your willingness to come out, share this information. I'm going to make sure we have this electronically. There are a couple of folks who couldn't be here. So we'll e-mail it to other board members who weren't here.

I appreciate, also, the fact that you all had some very specific recommendations; the level of detail that you all got into is very helpful. I think it might be helpful as well, I know in the conversations with the leverage working

group, and that's kind of what's been asked to share these kinds of lessons learned and recommendations can be shared with that group in real time. So I think we'll get some real steam out of this.

I'm going to ask board members as well, some of these recommendations that were suggested here, or things to consider by the folks at Citi, that we actually again wrap our heads around and go into a little more depth at our June meeting, and some of those things we've already talked about.

So, Bryan and Mark, really, thank you all. You're welcome to stay for the last 15 minutes. If you want to leave, you can. If you want to stick around that's fine as well. We're going to talk about some budget things, so we'll find out just how much money we'll have for you and these kind of things. But, Bryan and Mark, thank you all very much.

MR. DEAN: Thank you for having us.

MR. DICKSON: Thank you.

MR. BOWERS: Yes. Yes. And if --

MR. DEAN: Yes, you can have -- these are for you.

MS. FIELDS: I (indiscernible)**01:35:02.

MR. DEAN: Please keep those.

MR. BOWERS: Yes. Yes. Always leave with a lighter load than you came with.

MR. DICKSON: Absolutely.

MR. BOWERS: So we're going to move now to the Number 5 on the agenda, the proposed and supplemental budgets for 15 and 14. We've already done Number 6. I talked about that earlier. So if we can do that. Number 5, I don't know, Bea are they --

MS. FIELDS: Yeah, I'm just going to do a little overview here in the midst of the whole budget process. And I did not want any board member not to know what issues are on the table. And so I kind of want to do this in a high level as opposed to detail. But we do have the agency's fiscal officer, Andree Chah-Mann, here to answer some of your questions. So, what I

wanted to provide you with, you may have to go to the set of documents that's at the back.

And it says, "DHCD Budget Documents." There are two public documents that lay out the proposed budget for DHCD. One is our operating budget. And then the second is that the Housing Production Trust Fund dollars went from a special purpose revenue fund to an enterprise fund. And that was one of the things that we had talked about.

And then in addition to that, in addition to the Mayor's 2015 budget, there is also a 2014 supplemental budget which is recommending that of the excess revenues that 30.2 million be given to the Housing Production Trust Fund as an additional increase.

Through the Housing Production Trust Fund Enterprise Fund, the revenue projected for -- and I've got to find it, FY-15 is 40 -- somebody help me. Forty million.

UNIDENTIFIED SPEAKER: 41.4.

MS. FIELDS: Yeah, 41.4, and that would

include the administrative from the dedicated taxes.

And then in addition I just wanted to bring to your attention, in the Budget Support Act there is also a recommendation that you can now have food at -- you can use appropriated dollars for Board meetings so you can have coffee and (indiscernible)**01:37:18. I thought you -- that's a side note.

UNIDENTIFIED SPEAKER: Is that your word, Chairman?

MS. FIELDS: It's not of importance, but as soon as that --

MR. BOWERS: I can't even claim credit for that one. The quality and abundance of snacks will increase exponentially, right?

MS. FIELDS: Yeah, so that's a positive.

In the Budget Support Act there are several recommendations, and the Budget Support Act would be the legislative changes you would make to statutes to allow the recommendations in the budget to actually happen. And there were

several, but one would change how the deed and recordation from transfer taxes would be -- it would be a reduction to that, but yet there's an offsetting increase to the amount that would actually come in the Housing Production Trust Fund transfer, from 15 percent to 16.5 percent.

And there's also a recommendation if there are additional funds that additional dollars would come to the Small Business Technical Assistance Program.

So those are just some real highlights. Then I think there was a packet of just pieces of legislation. Now, you could go to the website and you could look them up, and I thought it would be good just to have them here.

If you get a chance, on Thursday, May 29th, Council Member Bowser, who is chair of the Committee on Economic Development, has brought together five affordable housing bills. Two of them actually goes to the Housing Production Trust fund.

And I want to apologize, under number

four, the person assisting me copied part of five into four. And number four is Council Member Bowser's legislation, which recommends that the Housing Production Trust Fund be funded at 100 million per year. Period. She has not necessarily identified where those sources of funds would come from.

And there may be something in -- you may have some questions or concerns or comments with reference to the five pieces of legislation related to affordable housing.

So it's kind of a high view. If you have some additional questions, or, Mr. Kelly, you might want to talk a little bit about the dashboard, which is one of the new things that --

MR. KELLY: Yeah. Thanks, Bea. Yeah, let me start with that. Go to the website right after you leave here and your jaws will drop that we actually have developed a tool for having a transparent accountable project update system that anybody can get to that talks about the project, the amount of money, where it's located,

how many units of affordability are we looking in it, and what are the other fields that I'm missing, Nathan?

MR. SIMS: The developer.

MR. KELLY: And who the developer is. So it's big stuff. And then at any time, as the Advisory Board, obviously you actually have the ability to see a zillion other things. It's a very robust thing that's been created right now, and it will be updated in real time. So the question then -- and we never did Chris's presentation at the Advisory Group, did we?

It's actually kind of funny, where you talk about a project and how it can go out, you know, to a certain level on the continuum and then drop off and fall back to the beginning again, and how just convoluted this whole process can be and how crazy it is.

So whenever the question got asked before, how many projects do you have? Like, well, it depends on who you're asking or when you're asking it, or you know, but now we

actually have a kind of data-based report that can be accessed.

So do you know what that is off the top of your -- it's called the database, right?

MS. FIELDS: It's called the --

MR. SIMS: Production Pipeline.

MS. FIELDS: Yeah, Project Pipeline Report.

MR. SIMS: Report.

MS. FIELDS: Yes.

MR. KELLY: And the only other thing that I wanted -- well, there's many things. But in terms of the budget revisions that we have now requested through Mayor Erata is to what we're calling the right size, the amount of money that's available to Lead Safe Washington and to the Single Family Residential Rehab Program. We've been tracking about 2 million bucks a year.

What we did a couple years ago was that we actually put in -- because we thought the Mayor's one-time money was really just one-time money and we wanted to make sure that these two

programs had enough money of that one-time money to last for a while. So in both programs we put in $8, $9, $10 million per year in saying that -- but, you know, available for it to be kind of spent over time.

What we found out doing it, particularly in terms of our budget oversight, come in and say, by the way, how much do you have in that budget. Well, tell me about how much you've spent. You know, 300,000. Well, I've got a great idea to spend the rest of that money.

So we wanted to actually have a budget that reflected how much we actually could spend on those programs. And now, since that time, thanks to a lot of your efforts, that money now goes back to the Trust Fund, it can be put back in on an annual basis. So we don't have to worry about it being boxed off anymore.

So what we've done is requested that we actually reduce those budgets to the couple million bucks apiece, and that the money that had been allocated for those budgets go into two

categories. One, to go back into the larger Housing Production Trust Fund, specifically around development, finance, and affordable development. You know, it's whatever that line item is, for us to actually add more money into our NOFA responses if need be.

And the second is to really muscle up for the first time in a while, our property acquisition and disposition department. It's up to 9 million bucks now, where it had like a million or something like that for -- you know, now we're really looking to use it as a strong tool to be kind of a sister program to DFD, where we actually -- we have 150 properties or so, 140 properties, something like that. We've identified 63 of them that would be targeted for solicitations that the first wave of them should go out later this spring, early summer.

Nathan is going to have a meeting of developers and others to talk about this program. What makes it a little unique is that we're actually going to not only, here's a land, like

we do at an auction, good luck with it, turn it into a liquor store, land bank it, have fun with it. Whatever money we got we would put back into the program to get more buildings just to get them out.

So that took away the whole goal of actually us producing affordable housing. It became just a way of kind of a -- we were yet another pass-through in the continuum of getting land, you know, bartered and moved around in town.

This time around we're saying, hey, because of the location it makes sense that these be some multifamily. You know, if this is something that rocks your world, then come back with this. Or because of its location it lends itself to have retail on the first floor and housing above. If that rocks your world, come on in here.

So we're actually kind of going to be presenting a recommended solicitation for developers to come in to do stuff. And the DFD

money will be used as it's currently used in its response to the NOFA to help pepper those deals, that it makes sense. If someone comes in and says, you know, we want to do a deep dive in terms of affordability, we would look at that and say, oh yeah, that makes sense to us, we'll give you an extra couple bucks to make that work.

The other piece, though, is also looking at the turn-key approach; something in which it's literally -- you know, we service developer, we have the land, we have the money, we get a contractor who builds to spec, they hand us the key, and we turn it over to someone else to market the project for us.

And again, there are some properties that lend itself to that particular flavor. And both these are, by the way, I'm looking at -- we're looking at as being kind of pilot like, you know? I really think that this is something we could and should take to scale.

The other category we're doing that isn't necessarily money, but it's just, you know,

trying to get productive use of vacant and abandoned property, or kind of sites that are really weird shaped or they don't lend themselves to housing itself. Our new director, Karanja Slaughter is now, you know, putting together packaging to go out for things like historic Anacostia or Journey Anacostia across the street, the sculptured piece, or for Community Gardens, or for other kinds of things that make sense to make these communities healthy.

Also to look at maybe potentially supporting a type of IBCD **01:45:20 response that we've done in the past. But one in which we, again, we'd probably try to think through that whole home again thing so that we actually don't repeat kind of the problems we had in the past. Specifically around funding sources, if you know what I mean.

MR. POHLMAN: What's the source of that, then? CDBU?

MR. KELLY: Yeah, well, it was -- well, that was Home. That's what I was talking about.

I think it was Home was one that had got us in a little bit of trouble with --

MR. POHLMAN: No, I mean things like sculptures, that kind of thing.

MR. BOWERS: Community Garden Associates.

MR. KELLY: Yeah, CDBG mainly, right? Isn't it? Is that where you get the --

MR. SIMS: It was a unit file.

MR. KELLY: Yeah.

MR. SIMS: (Indiscernible)**01:45:54 file.

MR. KELLY: In fact ideally, Bob, part of this thing too, as we're putting money out there, we'll actually be getting money in. You know, we actually will be selling properties and having monies and that's the purpose of the unified fund. It's actually, call it laundered money but it's money; earned money.

And our earned money can be used to do more flexible stuff like sculpture pieces and gardens and cool stuff like that. There's less restrictions.

MR. BOWERS: Questions, comments? Anybody have, board members, for any of that from the director?
Couple of --
MS. FIELDS: Did Andree -- go ahead.
MR. BOWERS: One, I wanted -- oh.
MR. CHAH-MANN: No, I heard her say my name.
MR. BOWERS: Oh, okay.
MR. CHAH-MANN: I'm the finance officer for the agency, so I'm (inaudible)**01:46:40 --
COURT REPORTER: I'm sorry. If you're going to speak I need you to come up to the mic.
MR. BOWERS: Yeah, I'm sorry. We've got the microphone.
MR. CHAH-MANN: Oh, okay.
MR. BOWERS: While you're coming up I do want to just publically thank on the record, Board Member Bob Pohlman particularly. The change that was made, Bob really helped us, the Board, get together the letter of request that went to the mayor about the change and the fund

type. And so I want to thank Bob for is work on that.

Bob, anything you want to say on that before we move on?

MR. POHLMAN: No, I -- in fact I've spoken with the AFO here and I think it sounds like it will be a much more workable system and not have to result in all of the obligations and reobligations we've had in the past, as I understand it.

MR. CHAH-MANN: Am I on? Okay, mechanically, from a budgetary perspective it does streamline the process, meaning that we're not going back to counsel or to congress to get approved appropriations from prior revenues, which this is a revenue fund driven.

That makes a much easier process when we're doing budget development. And so what you'll see this year in 2015 is the distinct change where HPTF is the agency. The UZ0 Chapter is not going to be one-for-one equal to what is in DHCD's -- intradistrict fund is where DHCD's

budget for HPTF is loaded.

So you'll see the $125 million on DHCD's budget, and 40 million in the HPTF budget, and that's because the legislation recognizes new revenue in the UZ0 budget.

And so the fund balance, which is prior years, we had to go forward and request new authority for every year, we're no longer needing to do that for prior year fund balances that are already approved.

MR. POHLMAN: Hallelujah.

MR. BOWERS: Yes.

MR. CHAH-MANN: Now, what that means is mechanically, I'm still working out with the Central Office in terms of mechanically the execution treatment of the obligation documents through the year. It's a matter of interpretation in the law; as it has been written does not explicitly say the whole issue about the deobligation and appeal. So that's a mechanical piece that --

But at the end of the day, I think the

Agency has a much better position now, mechanically, in terms of our systems and processes for wrapping up at the beginning of the year. So 10/1 -- a fiscal year start at 10/1 should not really impact an operational situation, whether or not you have to deobligate a PO and reestablish one on a certain date. You know.

MR. BOWERS: Remind me again, that change took place in the Budget Support Act or --

MR. CHAH-MANN: No.

MR. BOWERS: -- separate legislation? How did that change before the fact --

MR. CHAH-MANN: It was actually in the BSA for that pass for 20 -- FY-14.

MR. BOWERS: Okay.

MR. CHAH-MANN: So the non-lapsing piece went through last year.

MR. BOWERS: Okay.

MR. CHAH-MANN: What they're proposing for this year now, and this is where we are, and so this is what we call the new infusion. What

we're living on right now, the 125 million that's in the DHCD's 2015 budget, is 40.4 million of estimated revenue, and 84 and change of fund balance. That is expected to be available at the end of this fiscal year.

MR. BOWERS: Uh-huh.

MR. CHAH-MANN: Okay?

MR. BOWERS: And thinking about what your prior speaker said in terms of the accounting. So not being the accountant, the basic kind of -- there's deed recordations, I think for the layman might say, there's a deed recordation tax amount, and then how much that's been dedicated from surplus. What are those kind of bucket numbers now?

MR. CHAH-MANN: Okay. And so the deed of recordation tax basically is this revenue stream all across the board. And there are a couple of little miscellaneous, like, receipts that we might get for other things. But the basis of the revenue stream is your deed and recordation.

Right now, currently, we get 15 percent

of each. We get 15 percent of deed and 15 percent of recordation. At $177 million that's about 26 million. Let me look at my notes. It's about 26.5 million from each bucket, which gets us to about the 50 million mark, which is what we've been bringing in, actually. It's about 53 million.

MR. BOWERS: Okay.

MR. CHAH-MANN: If you do the estimate. But actually we've been bringing in anywhere from 40 to 56 last three current years. And so the certified revenue is going to be a much conservative amount --

MR. BOWERS: Uh-huh.

MR. CHAH-MANN: -- but we deal with the actual and it gets adjusted.

MR. BOWERS: Sure.

MR. CHAH-MANN: The beauty of that is, is that we've been not adding that surplus to the annual budget. So that 15 million goes to your fund balance anyway.

MR. BOWERS: Uh-huh.

MR. CHAH-MANN: And that's what has been sort of the extra sort of, I guess bucket of money that the agency has been able to pull out because it's not on anyone's radar. The politicians --

MR. BOWERS: Uh-huh. Right.

MR. CHAH-MANN: -- and the constituents. So that's the piece that prior to this new fiscal year, '15, the Board and the Agency was sort of leveraging.

MR. BOWERS: Sure.

MR. CHAH-MANN: Now, with the new policy, if the legislation goes forward, 16 percent on whatever that amount -- and they're going to know as the revenues come in, what that bucket of money is. So it's going to be -- I think it's, you don't have any more sort of under the radar sort of speak because now this legislation just pulls it out and everybody in the city will see that as the revenues go forward.

But the beauty of that is, is that you give up a little, you get a little bit.

Hopefully. You yield about $5 million if it's 16.5 percent of each component. If it's a flat 16 percent, that's what I want to make sure in interpretation that it was 16 and a half percent for both recordation and 16 and a half percent for transfer, that we're looking at the $5 million approximately, based on the 177 that we brought in from the prior year.

MR. BOWERS: Got it. And so the deed recordation bucket, roughly, is about 50 million. And the last year from surplus, the Trust Fund got about 89 million bucks that came in from the surplus to the trust fund.

For '15, is that number -- for this year, is that 40 million, roughly?

MR. CHAH-MANN: Okay. So for '15 the budget that is 125 -- the '15 budget was built off of a (indiscernible)**01:53:03 Fund balance of about 139.7 million. You add current year revenues of 40 -- I'm sorry.

So we've ended the year, 2013, at 139. When we take into account the uses of HPTF for

2014, between DHCD and the debt service, debt service is 7.8 million a year. So that comes off in addition to what DHCD uses.

MR. BOWERS: No, no, I'm sorry. I was asking just the basic in terms of what got designated from the surplus. In the same way last year the mayor said, okay, we're going to put about 100 million of surplus towards housing. Roughly 89 million came to the trust fund.

Then for this fiscal year, the consideration, is that number about 40 million? The supplemental --

MR. CHAH-MANN: The supplemental right now that's being proposed --

MR. BOWERS: That's 30 million?

MR. CHAH-MANN: -- is about --

MR. SIMS: Thirty-two.

MR. BOWERS: Okay.

MR. CHAH-MANN: -- 35, 30, 35 million for this year.

MR. BOWERS: Okay. So that gives -- okay. So we --

MS. FIELDS: You're saying 30 million -- 30, 32 million.

MR. BOWERS: On top of the deed and recordation taxes situation. I got it. Okay.

MS. FIELDS: On top of the projected 40 million.

MR. BOWERS: Okay. And then one last question because I know we're right at noon, one last question I guess for Nathan and Bea, for the Agency. Does the Agency typically take any position on the legislation that's being proposed as it relates to the Trust Fund pro or con, or have any general comments that don't say pro or con, but just, here's what the impact would be? Do you all typically do that or not do that for any legislation like this that would impact the agency in general? In this case the Trust Fund specifically.

MR. SIMS: Usually, I mean, we're asked for a comment --

MR. BOWERS: Uh-huh.

MR. SIMS: -- on it. It depends on what

it is. But typically, yeah, correct.

MR. CHAH-MANN: And then the CFO would provide a fiscal impact.

MR. SIMS: Impact.

MR. CHAH-MANN: But because this is a city-wide driven revenue fund, the fiscal impact was coordinated through the Central CFO office.

MS. FIELDS: Yes. I think he's talking about the legislation on the 29th. Okay.

MR. BOWERS: Yeah, the two bills that I referred to.

MS. FIELDS: Yeah.

MR. BOWERS: So I think it would be -- if the Agency has any thoughts on -- because my sense is that some members of the Board may indeed want better understanding of the legislation and too, may testify. So, if there are any thoughts that you all have one way or the other about the legislation, what the potential impacts may be, if you could let us know. You know, I think at least a week before the 29th, that would be helpful so as folks are thinking

about what this may mean, that would be helpful.

Yes, ma'am.

MR. CHAH-MANN: As a finance officer, the fourth bill where they're actually speaking about a dedicated 100 million per year --

MR. BOWERS: Uh-huh.

MR. CHAH-MANN: -- it will be all fine and dandy if they do that. But what would really help the Agency, if they identify that source of funding, because if they don't identify the source of funding they're still hunting for it every year.

MR. BOWERS: Sure.

MR. CHAH-MANN: And you're still in the same political bucket that you're in today and you haven't gone into new territory.

MR. BOWERS: Sure. Sure. Oh, that's helpful.

All right. So thank you for those updates. Yes, Jim?

MR. KNIGHT: I have a question as budget advocacy cranking up and everything, and when any

one of us is in a position of testifying for our day job in a way that might have a slight different take than this circle might or than the Agency might, is there any general guidance on how we conduct ourselves in that regard?

MS. FIELDS: Well, the Agency, through the mayor, will have an opinion about the various pieces of legislation.

In your day job, whatever your opinion is, that's the opinion. It's not going to come to you for your approval as to how the mayor will testify. If that were the case then you may have to recluse yourself if you thought that that might impact it. It still wouldn't impact it, really. It's just your opinion. And we value your opinion and the people that you represent.

MR. BOWERS: That's great. So any public comments?

(No audible response.)

MR. BOWERS: Thank you. Thank you, Public, for being present today.

MR. SIMS: Mr. Chair, I had --

MR. BOWERS: Yes, Nathan?

MR. SIMS: I just wanted to let everyone know that our two-tier process closed on Friday, for the NOFA. We did receive eight applications. The total number of units are 837.

TDC, our total development costs, is $219,991,230. The request from the Trust Fund is 42.8 million, and just under 3.1 million for nine percent credits.

MR. BOWERS: And this is for Tier One, the folks who are in the first phase, right?

MR. SIMS: Uh-huh.

MR. BOWERS: So, Nathan, thank you for that. That actually is a great segue to the last thing I was just going to mention in terms of what we'll cover at the next meeting.

And, Bea, I want to make sure we accounted for agenda-wise. One is, I was going to ask for an update on exactly what Nathan just provided. So if at that point, when we get to our June meeting if we can get an update on a little bit around the projects.

And by update, it's essentially the spreadsheet you all did for us before, if you all remember that kind of said, you know, the project, the income bands they serve, the units. Did you all recall that? Does that ring a bell?

So I think having that basic kind of layout of what's come in in terms of the request, just like you all did before, would be helpful. So that's one.

MR. SIMS: Sure.

MR. BOWERS: Second thing is we will also -- and this will be kind of a standard thing I would ask at our meetings going forward until this gets online, which is the Leverage Fund. Kind of whatever the update of the day is in terms of how the meetings have proceeded; a few minutes on that.

It would be good, also, to go back to the point Jim raised earlier at our June meeting to get any update from the Department on its thinking about engaging -- its plans to engage developers in that conversation around the

Leverage Fund, would be helpful. So that would be a third thing.

A fourth thing will be, we will go over again, the -- as we go over the minutes, the meeting highlights from previous meetings. In particular we'll go over the recommendations or action items that were proposed or highlighted at the April meeting. So the write up, the report of the write up from the April stakeholder meeting.

And if it's possible, the Director mentioned the website. I don't know if it would be possible to actually do a little quick walkthrough on the screen. I don't know if that's possible.

MS. FIELDS: A demo.

MR. BOWERS: Yeah, demo. Do a five or 10 minute demo on the website would actually be helpful at our meeting.

And so any other item in terms of agenda that board members want to recommend that we cover at our June meeting --

MS. FIELDS: Got a lot of stuff.

MR. BOWERS: That's a lot. That's good. It's my dad that --

MS. FIELDS: I was thinking maybe the Leverage Fund --

MR. BOWERS: Stan, as my dad said, that's why they call it work.

MR. KNIGHT: Just one point.

MR. BOWERS: Yes, sir. Jim Knight.

MR. KNIGHT: It's a small point on that. So when you do the new RFP results would there be any way to just subtotal the existing so that we see some cumulative -- you know, the cumulative pipeline just grew about eight projects and $200 million.

MR. SIMS: We don't add them to our -- I mean, we could do a side by side. We don't add them to our pipeline --

MR. KNIGHT: Side by side.

MR. BOWERS: Side by side would be fine.

MR. SIMS: Okay.

MR. BOWERS: Yeah, that would be great.

And the one thing I would ask board members to think about, too, in light of as we, at our next meeting, look at the recommendations at the April meeting. Also the recommendations or ideas that were floated in the city presentation to, again, we'll spend some more time talking about that.

The one thing I didn't mention, I'll just kind of put out there as something to think about, the notion of -- and they talked about how to leverage philanthropic money. And, Nathan, I think also for the Department, a lot of the conversation and thought has been about -- we talked about that at the April meeting.

MR. SIMS: Uh-huh.

MR. BOWERS: Philanthropy was here at the stakeholder meeting. But in the conversations around the Leverage Fund it's really been driving -- the primary thought is how to leverage the DHCD money. There really hasn't been, you know --

MR. SIMS: Well, we've carved out, I

mean, in terms of our participation where we think the philanthropic community could be is around the, like (indiscernible)**02:01:26 reserve.

MR. BOWERS: Okay. Okay.

MR. SIMS: So, I mean, that's where we feel comfortable in terms of where our space would be and a vision of the end in sight.

MR. BOWERS: I think that would be -- when we think about the Leverage Fund I know a lot of the -- folks around the table have, you know, banks and intermediaries in the District, the notion of how to intentionally bring developers into the conversation, but also philanthropy.

MR. SIMS: Uh-huh.

MR. BOWERS: There were some ideas even at the April meeting, I think that I remember Terri Freeman brought up the notion of, you know, things are kind of vague to some extent, and they're seemingly a large enough magnet. And I think that's even referred to, referenced in

here, that there may be a way to walk and engage philanthropy in a way that heretofore has not been done in the District.

And not just local philanthropy, but also national. And that was one of the ideas that was brought up at the April meeting is that, you know, if we have something that's seemingly large enough and well thought out enough, it may be a way to get local philanthropy to maybe do more or do different, and/or to get national players potentially interested in D.C. in ways that they haven't been before.

Yes, Jackie.

MS. PRIOR: Has any private foundation actually indicated that they're willing to do that?

MR. BOWERS: Have you already -- I don't know that anyone has been asked.

MR. SIMS: I thought Oramenta was having some of those discussions. I'm not sure to what extent, though.

MR. BOWERS: Yeah. So there's been the

conversation with philanthropy and private lenders and intermediaries in the Leverage Working Group that LISC has convened around how to leverage in general. There has not been a specific ask kind to put to the table.

MS. PRIOR: Because I'm not aware that any of us have said that we're willing to do it, quite frankly.

MR. BOWERS: Yeah.

MS. PRIOR: So, I hear this all the time, but it's from people who are not philanthropy. So I just want to raise that.

MR. BOWERS: Yeah. Yeah. No, and I think -- and I'm glad you said that, Jackie, because I think where I'm going with this is that the ask -- a formal ask has not been made at all. And I think to my point is that as this is being baked, there is a specific something that now is being produced. And as the thinking is going on about the model, before it gets done -- I think, Jim, to your point earlier -- we want to get developer input to say, hey, here's how we think

it works. You know.

But I think this provides an opportunity because there's so much money, and because there's been a commitment around, and Deputy Mayor Hoskins said this when we first started meeting, that the Agency essentially had to double its output every year. So there's been an investment of resources to increase the output by the agency.

There's also been an -- in terms of kind of processes and people there has been more money plumped in. And there is a real push to say, look, we want to do a fund that's at a larger scale than what we've seen before.

And so what I'm suggesting is that as the thinking about what the fund is, is going on, there should be some real specific thinking about what if any role could philanthropic dollars play, and then starting to have those specific asks that go to the foundation community to say --

MS. PRIOR: Because it's all about

accounting, again.

MR. BOWERS: Uh-huh.

MS. PRIOR: And I don't think the people who are talking about this really understand the specifics of accounting from private foundations.

MR. BOWERS: Sure. Exactly.

MS. PRIOR: So, and that's --

MR. BOWERS: And that's why I want to make sure that philanthropy is somewhat brought into the room for those conversations for just that reason. Right? So that we can get some of that on the table.

Jim?

MR. KNIGHT: Just curious, Jackie. Did you hear anything after the meeting that this Board convened? I know you weren't able to be there that day. There were a handful of funders in the room. Did that make any impact on --

MS. PRIOR: I've been out of every -- my husband had heart surgery on April 2nd, so this is like the first --

MR. KNIGHT: First time back in.

MS. PRIOR: -- time I'm back. But I haven't heard anything and I have asked around minimally, but I haven't heard anything.

MR. KNIGHT: There were some suggestions that day. No commitments, but some suggestions about how philanthropy might participate. And so I just, I'm curious, did you feel like it got any traction?

MR. BOWERS: No, but not in a bad way. No in the sense that there were some things floated and I think the next step is to again, we've got to get philanthropy around the conversation table. Like, the product development. So we're kind of in this product development phase of collectively for the fund.

So what excited me from what I heard was when Terri and someone else kind of made mention of the fact -- couple things from a philanthropic standpoint.

One, someone said, wow, we didn't know the problem was that bad. That was one.

Two, that hmmm, you know what? If this

kind of money is really being talked about there may be an opportunity to walk this to some national funders because it was said that there aren't really a lot of funders locally who might play ball in a way that might be needed. So, the fact that there was even that suggestion that that happened.

And the third thing was I heard, and I think in the notes it even said, there needed to be something specific kind of brought to philanthropy to say, here's what we're thinking. Not in a generic way, but like specifically, here's what we're thinking. Could you play ball? Yes, no, maybe so.

So that, for me, was exciting. So I think it's too early for it to have gotten traction, but I want to make sure that we've kind of put that stake in the ground now to say, let's make sure they're at the table.

Bob, were you going to say something?

MR. POHLMAN: Yeah, just you know, in terms of talking to philanthropy, one of the

things I would be concerned about is that philanthropy do what government can't do. And government can do loan guarantees.

MR. BOWERS: Uh-huh. Uh-huh.

MR. POHLMAN: So I don't personally see that as something I would be asking philanthropy to do, but that's me.

MR. BOWERS: Sure. Sure. Yep. Yep. And I think that's right, the point of like what's needed. Like, what's needed for the developers? What kind of products do they need? And then with the banks and the city in, and the intermediaries, for us to be -- okay, if the developers need this, can the rest of the folks get all the way there? Great. If so, great. If not, what's that gap?

Or, is there a way to bring in, again, other capital that may stretch monies further or in different ways.

MR. POHLMAN: Well, we've been talking about capacity building because we know that (indiscernible)**02:07:36 Board of Housing, as an

example --

MR. BOWERS: Uh-huh.

MR. POHLMAN: -- rarely gets done by for-profit developers.

MR. BOWERS: Right.

MR. POHLMAN: Large developers.

MR. BOWERS: Right.

MR. POHLMAN: So, is the capacity there to do this? And that's where philanthropy can have a direct impact.

MR. BOWERS: Uh-huh.

MR. POHLMAN: Government doesn't have an impact at this point.

MR. BOWERS: Right. And I've heard one of the ideas that's been talking -- I need to do more homework on this, actually. This notion of like the loaned balance sheets. And that even got talked about at the Aspen Institute Event that the Regional Association of Grant Makers did, the notion of -- and, Jim, I know you brought this up even at the April meeting. The notion of for the smaller developers who have the

expertise, the commitment, but don't have necessarily the big balance sheets, what are ways -- so some of the ideas have been the guarantee fund, like what was done by OSSI. That was one of the suggestions at the April meeting. There's been a suggestion about partnering with larger developers. You know, one of the ideas that's been talked about is, is there a way for foundations to potentially lend their balance sheet in some sort of way to smaller developers, dot, dot, dot.

So, right, I think we want to -- you know, that may be something government wouldn't do, but maybe something a foundation might do. So, point is again, just like we did in April, I want to try to get as many -- you know, get all the significant stakeholders in the room to be hearing and talking at the same time with one another so that it all gets floated at one time.

Are there any other thoughts, questions, concerns anyone has?

(No audible response.)

MR. BOWERS: All right. So, it is 10:15. Our meeting is officially adjourned and we'll see folks at the meeting first Monday in June. Thank you. Thanks, everybody.

[Whereupon, at 12:16 p.m., the Housing Production Trust Fund Advisory Board meeting, concluded.]