GOVERNMENT OF THE DISTRICT OF COLUMBIA

Housing Production Trust Fund Advisory Board

Housing Production Trust Fund Advisory Board Meeting

10:08 to 12:02 p.m.

Monday, January 13, 2014

DHCD, Housing Resource Center

1800 Martin Luther King, Jr., Ave., Southeast

Washington, D.C. 20020

Board Members Present:

DAVID BOWERS, CHAIRMAN
MICHAEL KELLEY, DCHCD COMMISSIONER
SUE MARSHALL
CRAIG PASCAL
STANLEY JACKSON
MILTON BAILEY
DAVID BOWERS
ROBERT POHLMAN
DAVID ROODBERG
JAMES KNIGHT
ORAMENTA NEWSOME

Staff:

NATHAN SIMMS
OKE ANYAEGBUNAN

P R O C E E D I N G S

MR. BOWERS: All right. We will call this meeting to order.

Welcome to everyone. It is Monday, January 13th, 2014. This is the District of Columbia Government's Housing Production Trust Fund Advisory Board. I want to welcome everyone to the meeting. It looks like it's 10:07 a.m., and we will call the meeting to order and move forward.

I am David Bowers, the Chairman of the Board.

Why don't we go around and have members of the board announce themselves so we can make sure we have a quorum here. So again, this is David Bowers. And, Bob, we'll go to you next.

MR. POHLMAN: Bob Pohlman, Coalition for Nonprofit Housing and Economic Development.

MR. ROODBERG: David Roodberg, Corning Brothers.

MR. KNIGHT: Jim Knight, Jubilee Housing.

MS. MARSHALL: Sue Marshall, Community

Partnership.

MR. PASCAL: Craig Pascal, BB&T.

MR. BOWERS: And the minutes will reflect that Oramenta Newsome from LISC is present, but has just temporarily stepped out of the room. So, with the quorum present we can move forward with business.

Members of the board, you should have your folders. Thank you again to the HCD staff for preparing these for us.

So we will move, in terms of prior meeting summaries. Do we have an update? I know last time we had some issues on that chairman -- excuse me, Director Kelley or Milton, any updates on that? I see we have, in our packets from last time --

MR. BAILEY: Yeah, we're still going back and forth with OAG, Office of the Attorney General, and the Boards and Commission.

Boards and Commission has a preference and OAG has issued a legal opinion as to how we're going to do these minutes and how we're going to do the transcripts. The transcripts are required, and so we've got to give you transcripts.

And somewhere in the mix there is a question as to whether or not we should or shouldn't be convincing those transcripts into minutes. So, you know.

MR. BOWERS: Is it possible --

MR. BAILEY: The Sausage in the making.

MR. BOWERS: Yes. The question, I guess for Director and Milton, getting someone to condense to minutes that could be helpful for the Board in terms of going back and reviewing, is that an issue of dollars, in terms of needing to pay someone to do that or staff time. I know it's a time consuming thing, so I guess the question is, is it --

MR. BAILEY: It's an issue of reliance, Mr. Chairman. OAG has a preference that we rely on the transcript rather than an interpretation of the transcript.

MR. BOWERS: Uh-huh.

MR. BAILEY: As a true and reporting mechanism, both the Board as well as to the public.

MR. BOWERS: Uh-huh.

MR. KELLEY: And, Mr. Chairman, I just wanted to reiterate that the full resources, the agencies available to the Advisory Board for follow-up or whatever matters. So it's not a resource issue.

MR. BOWERS: Uh-huh. I think it would be helpful, if it's possible, to get -- it seems like what I'm hearing, Milton, is this is required, what's in our packet is required by the law, which is fine. If there were some way to have someone do some sort of summary of key points, would be helpful at each meeting. So if there's someone on staff who could be tasked for that, that would be helpful for us.

I think it is helpful when we have these meetings, to be able to go back and refer to, particularly, I think, key items and any next steps that we agreed to take, would be helpful.

Is that possible?

MR. KELLEY: Again, it's something I just want to -- I want to make sure that Boards of Commission and general counsel sort of again clear up this little niche.

This isn't the only committee going on in the whole city, obviously. We just want to make sure that we're playing according to Hoyle.

MR. BOWERS: Sure. Okay. So with that being said, folks have the transcripts to refer back to, of course, in their entirety. So with that we will work in between -- again, try to work with the Department to resolve that to make sure we have something that meets the law and also is helpful for the Board itself as we move forward.

Okay. Any questions or issues on that from any members of the Board?

MS. MARSHALL: I just think that's a little bit unreasonable, I must say.

MR. BOWERS: Which?

MS. MARSHALL: That a summary is somehow

out of bounds and in consistent with the requirement.

MR. BOWERS: Okay.

MS. MARSHALL: Well, because the presumption is that we're actually going to read transcript.

MR. BOWERS: Right. Right. It seems like having both/and would be -- right. Bob?

MR. POHLMAN: There might be a difference between minutes and a summary. I can see the Boards and Commission saying you can't create minutes. You know, they're different than transcript. But it might be worth inquiring whether an informal summary that doesn't purport to be minutes --

MR. BOWERS: Right.

MR. POHLMAN: -- would be accepted.

MR. BOWERS: Right. Right. And I say again, my sense is a both/and. If the transcript is required for meeting the law, then we want something that's just functionally helpful for us as a Board at both/and.

So I'll work with Department staff to be in touch with OAG and Boards and Commissions and make sure we can get that resolved by the time we have our next meeting.

Any other thoughts, comments, questions on this from members of the board?

(No audible response.)

MR. BOWERS: Okay. Thank you. All right.

Item No. 3 on our agenda, the bulk of our conversation today, as we have talked about in past meetings, there are in addition to kind of what I call the baseline things that this Board is tasked to do by statute, there are two items that we're looking to take up in terms of trying to be helpful to the Department and to the mayor and the city, in terms of picking up a couple of issues that were dealt with by the Housing Task Force earlier in 2013.

And those two issues are demand side issues and leveraging issues. And as folks may recall, our last meeting, December 2013, we had presentation on the demand side issues and I want to again thank Sue Marshall and Jackie Prior in her absence, for really helping to pull that together, and others who worked with them. And we'll continue to look at those issues.

Today's topic is on the leveraging. And so this notion of how can we help the city think through some effective ways to leverage the Housing Production Trust Fund dollars; again a reminder, there are efforts going on. Our own board member, Oramenta Newsome, at LISC, DC LISC, has worked to pull together some folks in the private sector looking at issues around leverage. And so in the context of the Board as well, we want to see if we could provide a form to vet some ideas.

And as we work in concert together with folks in the community to try to again be a value add to the Department, Mr. Director and others, to help staff think through and be a vetting -- an avenue to vet some issues around leveraging.

So in that vein we have a couple of

presentations that will take place today. But before we have Bill Batko and Ed Delany from Capitol One who should be here later, hopefully, we will -- I wanted to see Director Kelley or Milton, or any of the folks from the Agency, if there is anything you all wanted to say before we go into the conversation today about leveraging, that might set a tone. If so, please feel free to do so. If not, we'll turn it over straight to Bill.

MR. KELLEY: No, just I thank you, Chairman, for your leadership in this topic. And the hope is that it's not a one-shot topic. Hopefully we can embed this in the ongoing agenda here because there's some great ideas running around right now. And we're going to hear some experts today talk about what the opportunities are.

But my sense is that this conversation is going to beget additional conversations.

MR. BOWERS: Yes. Yes.

MR. KELLEY: So, I just hope that this

becomes something that we sort of embed, and it translates into relatively quickly, some programs and some policies.

A quick one by the way, just not to jump the agenda, but the Housing Reform Act, for example, is something that it is now being kicked around about how do you deal with Fanny and Freddie, et cetera. Embedded in that is some pretty cool ideas and we've been talking about this Market Access Fund, for example, that Senator Warner is kicking around, that talks about ways in which you can provide predevelopment funds.

And I think that's one thing we can all agree to. That's critically needed here, but how do we get to it?

So again, I think this is something that I think not just on a local level, but on a national level and national federal policy level, we might be wanting to consider in future meetings.

MR. BOWERS: Sure. That's helpful. And

I will say, Director, on that and to all who are here, that there will be a series of dialogs, I anticipate, on both the issues; demand side issues as well as leverage issues. So at our monthly meetings, and perhaps at even some special call meetings in between, we will look to go deeper on this issue with a series of guests who will come and make presentations.

And I think there, again, is a both/and track. One is timeliness in terms of upcoming NOFAs, but also -- so I want us to feel a sense of urgency in terms of trying to move quickly, at the same time not having kind of false shackles on us in terms of what we've got to get, everything figured out in 30 days and if we don't it's done. You know, the government has been here and is going to be here. And so if it takes us -- if we can get some good ideas and answers in 30 days, great. If it's three months, six months, and it informs, you know, a 20/15 process, that will be helpful too.

But to that point, Director Kelley, any

updates in terms of speaking of that, when the next NOFA might -- the timing, I think we were told last time, it might be sometime late first quarter. Is it still looking like that might be the timing for the next NOFA?

MR. KELLEY: Yeah, hopefully we were going to try to give a more detailed presentation at some point in the agenda.

MR. BOWERS: Got it. Will do. Okay.

MR. KELLEY: But yes, we actually have tied down a date.

MR. BOWERS: Okay. All right. Well, with that, let me turn over Bill Batko from William Batko Consulting, and he has a handout. And Ed, you can come on up actually, too. And Ed Delany from Capital One, are our presenters for the day.

And let me take one of those, pass it around to the staff and board members. We should have enough copies.

I want to thank them both for joining us here today to make presentations. And so we've budgeted -- what I've done is asked Bill and Ed to maybe spend about 15, 20 minutes each, presenting and leaving plenty of time for us to have questions and dialog with both of them, so it really does become a working dialog kind of session.

What I've passed out is a PowerPoint from Bill. Slide that -- oh, is there one other copy of that handout? Thank you so much.

Okay. Bill, turn it over to you. Thank you, sir.

MR. BATKO: Thanks, much. I'm here under the auspices of Enterprise Community Partners, working as consultants to DHCD.

Part of my team also includes Stu Hershey, who is there, and Martha Davis, who could not be here this morning. But the three of us will be working ongoing on this with leadership from DHCD, to see what we can get with more leverage.

I prepared a PowerPoint, but the PowerPoint facilities are not with us today, but the paper is here. So --

MR. BOWERS: Old School.

MR. BATKO: Very old school, if you will.

So, the Department is very interested in leveraging and being able to get more bang for the buck, and being able to use its money to be able to entice more private debt into deals, meaning that there would be more trust fund money and other more DHCD money, that then can go into more deals.

The points of this for the Department really are one, more bang for the buck. Certainly that's number one. Without that there might not be any point in this.

But while getting that then, we expect to get much better coordination with other financiers, largely because the bang for the buck will come through, coordinating with banks, CDFI's, possibly foundations and others that invest in the deals that we're talking about.

And then we're also, as you'll see later, very interested in the notion of common underwriting, of having, when there is different financiers, makes lots of sense if we can get agreement on what underwriting standards are, or what the underwriting process is, amongst the financiers, so it's not two, three, four different stages for every deal that goes through.

So those are the goals that we're talking about. The current thinking, largely this current thing, I have to say, comes from the director, comes from Milton, comes from Nathan. The current thinking is to look at lending pools.

Have two pools, one for acquisition, and one for permanent. The pools will be modeled on the dozens of lending pools that exist throughout the country in different cities, different states, different counties.

Enterprise, LISC, CSH, have been very involved. Low Income Investment Fund as well, very involved throughout the country in creating largely acquisition pools. As well there have been a number of efforts to create permanent pools in which the money from the public entity, from DHCD, from the Trust Fund, would be used to leverage money in the pool by providing some type of Credit enhancement that enables investment from the pool to go above and beyond how investment is done right now, into deals.

So that's the basic structure we're looking at. I mentioned here, I mentioned elsewhere, everything is subject to change. Until we have a deal we don't really have anything yet. So that's what the thinking is. It's really all about how the different pieces of finance, DHCD, other DC agencies, the CDFI's, the banks, the equity funds, the foundations, decide they want to get together and play together.

And what we're envisioning here is a structure in which everyone that's involved in financing a deal, early on agrees to what the underwriting standards are for that deal and other deals. And in doing so then, agrees on what the contribution will be from the banks, what the contribution will be from the CDFI's, how much risk is taken by DHCD, how much risk is taken by the banks, by the CDFI's, and so forth.

And that is agreed to up front so that when deals come they can be processed in a way that is as efficient as we can make it. So that's the concept. A lot of details need to be dealt with before this concept gets agreed upon.

The acquisition fund, the first thing, again many examples of this throughout the country. And SAFI, in fact, in D.C., is an example of an acquisition; an acquisition mechanism, not so much a fund.

And from what we've heard from the DHCD lawyers it's really doing these pools would then be an extension of the SAFI legislation and would be appropriate.

So, the purpose is to finance acquisition and improvements, eligibility, all projects that currently are being financed through DHCD, meaning TOPA, SAFI, other acquisitions, other for-profit acquisitions, other non-profit acquisitions, and then DOPA, for department acquisitions.

The funding; initially we were looking to see whether funding could be provided through HFA bonds. That, it looks like, because once you put a dollar of that money into an acquisition, the regulations kick in. And so you'd have to be 100 percent sure that that acquisition will result in a completed deal. So it may make more sense to have bank money rather than bond money as that piece.

The credit enhancement from DHCD, looking at, as with the other funds, loan loss reserves, possibly standby letters of credit, but we're very interested in other ideas that can come up that can entice more private debt into the acquisition than otherwise.

And the purpose, of course, is to increase the amount of conventional debt into the deal through a higher permitted loan to value.

Both for the acquisition fund and the permanent fund, we're looking for common underwriting standards, and one underwriting process. Common underwriting standards agreed upon by the various financiers who will be involved not only in the acquisition, but ultimately in the permanent financing.

One of the things that we're realizing is there is no point in doing an acquisition if it's not going to result in a permanently financed deal. There's no point in having an acquisition that results in a stalled project that can't get permanent financing. So, we're looking at situations where the entities involved, not only up front, but involved through the financing process, are involved in looking at the deal up front, to be able for all of us to know whether it's a financeable deal or not. And if it's not a financeable deal, then acquisition becomes very problematic, using public funds.

Not only the underwriting but the decision process, we would expect, would involve financiers of the permanent, not only financiers of the acquisition, again for that same rationale.

So, the benefits we're looking -- we would see here would be unified underwriting criteria. No acquisitions without there being a likely permanent financing take out, one underwriting of the acquisition so that the processing can be as efficient as possible, and hopefully few still projects as the acquisition is made when the permanent financier is around the table.

Again, all projects that currently come into DHCD for acquisition money would be eligible for this. Obviously there's many projects that do acquisition in different ways. Legacy building, acquisition through a merger, acquisition through the entity having enough cash or enough resources itself to be able to do that. And all that's fine, certainly.

But for acquisitions that come into this building, applications for acquisitions that come into this building, it would be desired, hoped for, that all of those would go through this too.

Then there's the permanent fund.

Permanent fund again, well, would it finance construction and permanent financing for affordable housing? We're looking at all rental projects with five or more units.

But for the permanent fund, which will be much more complex to set up than the acquisition fund, we're thinking that it might make sense to start only with tax credit deals. In that tax credit deal -- the risk for tax credit deals is well understood and loathed.

Fanny, Freddie, Enterprise, everyone who does tax credit deals, experiences less than one percent loss year by year, even in tough years.

So we're looking at, in the short term, starting with tax credit deals, certainly supportive housing, as well as affordable housing. It's very possible that to get this thing kicked off we would want to do one deal with one bank. And try that out then. See what we can buy with the DHCD credit enhancement for that deal; see if that deal can be a template; see if that deal can work out problems before we go public with the whole thing. But that's really just a thought at this point.

So permanent fund, loan capital here provided by bank purchase, largely bank purchase of FHA bonds. Again, the credit enhancement, loan loss reserve, standby letter, possibly other mechanisms. I think we all know that FHA already provides that kind of credit enhancement on bond purchases, and it enables then the term to be extended past where it is without the -- without that credit enhancement, possibly we can get lower debt service coverage, lower interest rates. All subject to the tastes of the different financiers on this. But all designed to get more conventional debt into a deal than currently, meaning less subsidy from -- less gap money from DHCD. Meaning more DHCD gap money available for other deals; the whole point.

Again, common underwriting, agreed to by the different financiers. The common decision process, so that the financiers involved, the CDFI's, the banks, the finance agency, DHCD, other DC agencies if their money is in the deal, get to take a look at it, get to weigh in.

With then, the benefits being similar again with acquisition, not so much fewer staller projects, but fewer problem projects coming up. But also better coordination amongst the financiers and better terms than for private debt going into the deal so that more DHCD money could be used for other deals.

And that's where we are right now. Kind of the next stage for us would be to sit down and start talking with financiers about what their taste might be, what their preferences might be, how they would want to go. If this is only a DHCD notion, it's not going anywhere. Right? There has to be at least one bank, at least one CDFI involved, and then we can start getting serious.

MR. BOWERS: So I'm going to ask -- thank you, Bill, very much. I'm going to ask board members, if you can, make notes of your questions and we'll let Ed go ahead because I'm sure there are going to be a lot of questions and interest and dialog. So I want to make sure Ed can go ahead, any sort of formal remarks that you'd like to make, and then we'll just open it up for Q and A and dialog.

MR. DELANY: Okay. Thanks.

MR. BOWERS: Thanks, Ed.

MR. DELANY: Thank you. Good morning, everyone.

MR. BOWERS: Good morning.

ALL: Good morning.

MR. DELANY: Sorry to be a little late. Actually had I been here earlier it probably would have made more sense for me to go first because some of the issues I want to talk about are what lenders and equity investors experience in trying to do projects that would normally be targeted by the Housing Production Trust Fund.

One of the things that, when David and I first discussed this, we talked about the overall program criteria. The affordability constraints are very very low. On a portfolio wide basis, I think you indicated, David, you're supposed to have 40 percent of the units at 30 percent AMI, and 40 percent at 50 percent AMI.

MR. BOWERS: Uh-huh.

MR. DELANY: So with 80 percent of the units in a project at 50 percent or less in AMI, one of the big issues you have, and you look at as both a lender or an equity investor is, you're going to have a declining NOI over time. So the program requirements themselves burden the ability to serve as permanent debt.

So while Bill was talking about ways to help leverage permanent debt to get higher loan to value, the key thing you need to look at is how will a property that has 50 percent of its -- I mean, sorry, 80 percent of its unit mix earning 50 percent or less in AMI, will it service that debt over the long-term?

It's one thing to be able to go out the door at a 115 or a 120 debt service coverage, but you will see a declining NOI. Typical underwriting these days is two percent increase in income, and a three percent increase in expenses.

If you have under an average of 60 percent AMI, you have a declining NOI. When you -- and I had some numbers prepared, but when you're looking at the 30 percent AMI, if you see roughly about a new construction middle sized properties that would be -- where these dollars would be targeted, and I'm talking about, you know, 40 to 80, 40 to 120 unit projects. We're not talking 400 unit projects. We're talking the middle sized property that you probably do here.

The average expenses on the property are roughly $6,000 a unit. And the income at 30 percent AMI really doesn't serve as debt. It barely covers operating expenses. And then it's 50 percent units are going to throw a couple hundred bucks at the operating expenses.

So there's 20 percent of the units that are, you know, either 60 percent, 80 percent, 100 percent, are going to be asked to do a lot of the service on that debt. There's really just not enough there. So what you have to do is you have to target properties where you're going to have as little permanent debt as possible, and we're going to have the most ability to find other sources of subsidy, vouchers, et cetera.

So I think in the big scheme of things we're going to be thinking smaller projects, for the most part. And while Bill said everything that would come in through the door at DHCD would be eligible, I think you really need to realize that not everything is going to work on the back end as being eligible, because you're going to have to find those subsidy dollars.

But just about everything else that Bill said is where I was planning to be in my presentation. First and foremost we need collaboration and coordination among the capital providers. You do need that common underwriting.

I think the issue is, every single deal I've ever done, and those of you who are developers or financiers, every deal is different. Every tax credit deal is a little different. You can build two properties that are very similar and in two different markets, and you're going to underwrite them very differently, just because of the submarket, the rents. Whether 60 percent AMI rents in this submarket of DC might have a 50 percent rent advantage, and in this submarket of DC, 60 percent of AMI rents might be above market.

So everything there is different. But what happens is, there is a fair amount of customization and underwriting when you're underwriting a tax credit deal, deal to deal. I agree, you have to have a common underwriting. You have to have -- everyone who is going to do one of these projects to think -- think of it like a HUD loan. You can do anything you want in a HUD loan as long as you do it exactly HUD's way.

I mean, people who go into deals with FHA financing know that you can't change a common -- you may have all kinds of great ideas of how you can change a program. It doesn't really matter.

It's going to be this way.

And I'm not going to bore you with all the details. If you've done FHA financing you know, that's the box you work in and then everything else kind of to fit in the box. Rather than what we often do when you're just dealing with bank financing with a private placement of DCHFA debt and you have money from DHCD or DMPED, that you kind of figure out how to make it work. That common underwriting is going to be critical because we're going to need to know that these properties, by their very nature, are going to have some constraints upon them, and their very viability are going to be dictated by those constraints.

So we have to know that you can't have a lot of deviation because when you do the typical tax credit property in the District, we have at least three or four capital sources. It's not uncommon to have a deal where HFA issues the bonds, DHCD has some money that was either in the deal originally, or stays and DMPED has some money, and the Housing Authority has some overlay with vouchers.

And that's just the agencies that begin with DC in their name. Then you have the tax credit syndicators, you have the soft debt.

So I think really that common underwriting is going to be essential in having the groups who -- especially the city agencies, all working together and knowing that programmatically, this is a Housing Production Trust Fund deal, so we're all going to do this deal this way and there's going to a coordination of the city resources, and then everybody else who plays in that game needs to know that they're going to do it that way.

Now the only other things I think I had that would be in addition to what Bill mentioned was, you know, you talked about credit enhancement. And one of the other things that I think might be useful, because once again, the burden of the debt service is going to be critical to making these projects work, is whether or not these dollars could be used from the Housing Protection Trust Fund, rather than throwing an extra million dollars at a $10 million deal, can those dollars be used to buy down the interest rate?

Similar to the way the old Section 236 deals were done, where the interest rates were bought down to one percent. Because if you can't make the deal worth one percent, then maybe it shouldn't be done.

So that would be probably the one new piece I think I would add. Everything else, these were along the same thoughts that I had had and that I discussed with David. Whether it's credit enhancement or a buy down, I think right now, you know, for the last few years FHA taxable rates were so low people were going through that long process, even when other sources of financing could get you there faster. Now there's upward pressure on those rates again, and deals that were penciled in at three and a half percent are working at four and half percent.

Normally if a conventional deal can't work a four and a half, you shouldn't do it.

But these aren't conventional deals. So maybe we can try to figure out a way to get permanent financing down to about one or two percent with some of this money being used to buy down interest rates. And that might be the most -- one of the more effective uses for a project that has so much affordability. That's basically what I have.

MR. BOWERS: Thank you, Ed. I want to just note for the record, we have been joined by Board Member Stan Jackson is present.

So we had blocked off until about 11:30, so we don't have to use all that time for this portion, but we have plenty of time. So board members, certainly -- and/or staff, if there are questions, comments, feedback on anything that you've heard, we want to make this free flowing. So any thoughts, questions, comments?

MR. ROODBERG: Question for Ed. The buying down the interest rates, you know, what's the economic model for the financial institution for it? Obviously there's got to be a return and there's got to be, you know, value in doing it, otherwise not so, as you said with 80 percent affordability, you know, it's tough to find the cash to do that.

So, how do the banks make those numbers work? Or how do they look at a deal that the deal can make the numbers work?

MR. DELANY: Well, my first answer is going to be, I'm just the idea guy so. But, no, I mean, there are ways. You know, obviously I'm thinking like I said, of the 236 model where there government subsidy bought down interest rates to one percent.

So there will have to be some capital markets involvement. And I don't mean Wall Street necessarily, but folks who can figure out the best way to securitize that to buy that down so that they can find investors who are going to buy those rates, who are getting a market rate of return. And then these subsidy dollars from

DHCD, from these trust fund dollars, are being used to actually create that lower cost, payment to the deal.

So I don't have the answer to how that's going to work. I just have -- you know, the idea is there is a model that we can follow. We can figure out how this could work. And to the extent it could be bought down.

The other piece of it, though, is there has to be a determination going into a project that would go into, say, by the time it went to the acquisition pool that everyone will say, don't put it here if you can't get it out. We need to look at those individual transactions and figure out what else do they need, because just buying that rate down may not be enough to make that deal survive.

So I'm looking at some transactions in the city right now that have very low targeted affordability, and they're gearing them towards, you know, formerly homeless veterans, wounded veterans, et cetera. Most of these folks are not going to pay more than 30 percent of what might be a very low income. So these are 30 percent AMI units.

So the real key is, what else can you get with it? See, these dollars will only go so far, but by having these dollars and it hopefully will allow the ability for these projects to look attractive and to work -- to grab other sources.

So if you really -- I think most of these projects, not all of them, will have a lot of supportive services. And in order to pay for the supportive services, you're going to have to have other subsidies.

So then that $6,000 a unit average expense ratio I mentioned is probably going to balloon when you add those supportive services. So it's not a -- buying the rate down on a loan is not an answer, it's just a piece of the puzzle that I think we need to look at how we can make it more affordable because otherwise, if you're just going to throw a million dollars of trust fund dollars on this deal, and a million dollars to that deal, you know, as Bill said, you're going to use up the money, and it may not make the deals work.

And I guess one other thing is, Bill mentioned start small, you know, with one deal. It might be an idea that you may not get as many deals out the door in the first few years because you're going to have to make sure the model works.

MR. BOWERS: Thoughts, questions, comments, board members or staff? Jim?

MR. KNIGHT: Maybe just an opinion at the moment.

MR. BOWERS: Sure.

MR. KNIGHT: I certainly value the notion of expanding the leverage factor here, and realize that there's a tension in the lower affordability projects; there's a bias in particularly the demand side conversation. I'm getting even more flexible than we already are.

And so if we need to create a kind of uniformity that gets the average deal through this new kind of process, I'm just wondering if it might not be wise to create sort of a dual track process where the healthier stronger deals can go through this new leverage formula arrangement. The ones that are going to continue to drive rent as low as possible with services.

We heard DHS director asking for a way to finance rapid rehousing into projects. That's even a weaker income stream than we're already talking about.

So I guess I'm trying to express, on the one hand, support for this notion in that a large number of the projects in a given year can probably compete in this notion. But at the same time as we're trying to get deeper and deeper affordability, more creativity with services, I'm sensing there's a type of project that won't compete in this formula, and that we don't want to drive it to extinction.

So is there a way to have, sort of in our heads, two tracks?

MR. SIMMS: I think there -- I mean, just the basis on the conversations that we had, I mean, this is not the elimination of the NOFA process. So I mean, you will still be able to have that.

But if you do approach it, I think in a way that -- underwriting is underwriting at the end of the day. It's about dollars and cents and how you support the dollars. So I think the notion that, you know, deals that have deeper affordability will somehow become extinct, is not the case.

But what you want is, you do want to push it in a way that you do have that greater leveraging so that it reduces the stronger deals, now need smaller subsidies in terms of gap. So that means that the deals that need the additional gap now have the ability to get that additional gap. But that doesn't mean that we don't have to have some -- but everybody benefits in a way.

And so, if it's a 120 debt service coverage and instead of 75 percent of loan to value we're now at 80, 85 percent, or even in some cases, 100 percent of loan to value, that deal benefits. Every deal benefits that's very strong.

So, the question just becomes if we need subsidy dollars to then fill in whatever additional gaps to get at the 50 percent, 30 percent level, those dollars are there.

MR. BATKO: In the last RFP round, about two thirds of the deals were tax credit deals and had a very similar structure, each one of course was its own deal. But similar structure. And this of course included many supportive housing deals that had vouchers coming in.

And then another third of the deals were one-offs. Right? Each one had its own particular characteristics. And I think for this we're looking at, at least initially, those two thirds of the deals to be able to flow through this if possible, but certainly there will always be deals that don't and need to be processed and dealt with appropriately.

MR. BAILEY: It seems to me that perhaps, and listening to what you guys are saying, and looking at how the Housing Production Trust Fund is structured, it meets basically two objectives that don't necessarily -- that are not necessarily compatible.

One is your 50 percent of AMI and above, and the other is your 30 percent of AMI and below. And there seems to be competition for dollars that would go to each. And it is in that competition for dollars that those stresses are created.

I'm wondering if an amendment to the Housing Production Trust Fund is inappropriate, whereby housing that is being developed for less than 35 percent of AMI constituents, falls into an entirely different funded and supported category of trust fund. And that is separate and distinct from the 50 and above side of what we do.

In thinking through it, one of the things that occurred to me is how we're going about spending out social service dollars, and how social service dollars link to what we're doing in the trust fund.

I think that the agency has done a good job in terms of working with social service agencies to bring new dollars into the NOFA. But I'm wondering if there is -- if those new dollars shouldn't be put into a separate entity that focuses primarily on a development of affordable housing for social service based clients and persons making 35 percent of AMI or less.

If you think in terms of what is going on in the human service side, we're spending roughly 20 million, 18 -- $20 million a year of appropriated funds to house populations that are currently residing in D.C. General.

Another 18 or so million dollars a year for at risk populations, youth populations.

If you think in terms of what the debts -- what $20 million a year can leverage in terms of debt service, I mean, that's pretty damn substantial.

And so if we take that annual appropriation off of our -- or a portion of that annual appropriation off of our books and run it through a very similar agency, let's call it the Social Service Finance Agency, that deals primarily with social service based clients, then would we not be freeing each entity, the social service component and the Housing Production Trust Fund component, to legitimately focus on and not compete for the dollars to serve the populations that it appeared that they were intended to serve to begin with?

MR. BOWERS: I have a question.

MR. BAILEY: Have I gone too far?

MR. BOWERS: No, no. A question actually related to that. The --

MR. BAILEY: Have I taken --

MR. BOWERS: We'll ride with you as far as you want to go.

MR. BOWERS: Yeah. But do you get my drift?

MR. BOWERS: Yeah, absolutely. And

actually a question related to that is, because one of the question I had and you just hit on it, was in terms of scale. What kind of level of scale in terms of dollar amounts are we talking about?

And, Milton, I think what you just talked about made me think about the securitizing for new communities that has happened. And I guess one question, if you take 5 million or 10 million, whatever the number is, and put it towards debt service, what is the kind of multiplier effect of how much that could bring in at one time to, what I'm hearing you say is to focus on the services and other things related to serving populations at extremely low incomes.

So yeah. No, going down that road, what does -- regardless of where the -- putting aside for a moment what the source was, whether it was trust fund dollars, social service agency dollars, general tax dollars, what's the multiplier effect of -- you know, is $10 million a year dedicated if we securitize that -- what has it gotten us, or what does it get us in terms of --

MR. BAILEY: Interesting you should ask. New communities funds are not controlled by DHCD. They're controlled by DMPED.

But $16.6 million annually is set aside to provide for debt service reserve coverage.

Chris, do we have an indication of how many unites that has produced?

MR. ANYAEGBUNAN: Not in terms of units, because some of the funding go for housing related things.

MR. BAILEY: Right.

MR. ANYAEGBUNAN: Not director units.

MR. BAILEY: Do we know what the relationship is between that $16.6 million and unit production?

MR. ANYAEGBUNAN: No, because that's what I'm saying again, it's not (indiscernible) to that way.

MR. BAILEY: Not just. Right.

MR. ANYAEGBUNAN: But the initial, is it

about 10 million, was used to raise about 30 million up front. So that's kind of an idea what you get immediately. But then you pay back this over 30 years.

MR. KELLEY: The bulk of that would be from the demolition of Temple Courts. That was the phase one of new communities.

MR. BOWERS: Okay. Other thoughts, questions, feedback, comments anyone has on the leveraging? Yeah, Bob.

MR. POHLMAN: Yeah. Just curious. I'm sure you've encountered our local rent supplement funds, which is a local subsidy of local Section Eight, subsidies. And in terms of the lowest income, permanent supportive housing, as you said, folks aren't going to be able to pay enough rent to even operate the building, let alone pay debt service.

That, with rent subsidy, you can have enough income to boot, to operate the building and pay some debt service.

But there's question about whether banks will really rely on that or not.

MR. DELANY: You know, both banks and equity investors, if you put 10 of them in the room you get 12 different answers how they underwrite subsidies. And they have to do with, is it a new contract. Right, I'm sure you -- you know, and 20 year contract, and yet it's still subject to annual appropriations. I think kind of like the industry, you know, there's different ways to look at it.

You know, one is, what happens if we close on Monday or Tuesday we lose our contract. So you do the whole, the virtual cliff scenario. What kind of -- where can you go. And if you lost your subsidy at what level could you then rent that unit? Do you have a rent restriction at 30 percent AMI? In which case it's just not going to work. And do you have a rent restriction that in the event you also have subsidy, could you lease that unit at 50 or 60? So that's kind of like one doomsday scenario.

Many others with new contracts will go --

they'll figure, okay, you'll probably go five years. And then it drops off, and then figure out what that does.

Then there is different levels. Do you simply just give it a hair cut each year? A lot of different ways to look at what happens if we lose that subsidy.

And every time you talk to a developer or a local agency about this, they said, well, we're never going to lose Section Eight. But then you can also say, well, the government would never shut down over stupid things.

We've actually had housing authorities we've done business with in other parts of the country that have given us a contract, and then come back after we closes it, I'm sorry, we didn't have the funds. You know, it would never happen here. But it has happened.

So, you have to look at that. And that's where these dollars could be possibly used. And one of the things that, when we talk about one underwriting and one coordination, this would be like a program where you would get into it. I know that some banks do it this way as well. They set aside a certain amount of dollars where they say, in these big markets, like say New York or D.C., we'll underwrite a deal with Section Eight overhang and pretend it's not there for a certain amount of funds. Not everybody does this. And say that way we know -- we're going to take this risk that these deals will be there.

So I think what we would have to talk about is in these programs. You'd say that, you know, your admission ticket to being this deal if you're a bank or you're an equity investor or whatever, is to just say, these are the prime orders, we're going to underwrite it this way. You're going to have to trust that these funds, these trust fund dollars and these other subsidies that we're bringing in to the deal, that you know, not to say you don't underwrite the deal, but we're going to underwrite these deals with these parameters. And we're not going to look at that cliff scenario. We're not going to say, well, what if? That's why I said, you can't quite have the flexibility.

That's what I was talking about with flexibility, Jim. I didn't mean that you can't be flexible. I mean, you have to say for these properties, this is the program. This is -- if you agree this is the program, underwrite this program. And if you don't agree then you're not a participant in this deal.

MR. BOWERS: Oramenta.

MS. NEWSOME: Ed, what's it like in the CRA world today? What incentive under -- you know, or disincentive, or under CRA would banks have to participate in this?

MR. DELANY: Well, if you're talking about here in D.C., most major banks D.C. is important for CRA. So that's why prices are high for equity. That's why lenders do do occasionally more leverage deals than they would. You know, in most of the world, you know, 30 percent AMI is it. I mean, 30 percent amortization is it, but other banks are pushing a

35 or sometimes even 40 percent for bond deals. You don't have to drift too far out of here where everybody would say, all right, I'll underwrite your deal with a 120/30. And now you're hearing one for 15/40 on certain bond deals here in the city. And equity prices down-state in Virginia might be seven, 10, 12 cents less than here.

So, D.C. is CRA central. So, you know, you're already getting -- you're not going to get more because you're already getting the best pricing in D.C. In general anything in the Washington Metropolitan area is getting the best pricing in equity and debt, among in the country.

MS. NEWSOME: So what's the incentive then, to participate in something like this?

MR. DELANY: Oh, because there's a lot of people chasing a few deals.

UNIDENTIFIED SPEAKER: Supply and demand.

MR. DELANY: Supply and demand. Equity pricing didn't go from, what was it -- the Government paid 85 cents for exchange because market price dropped to 62 cents for tax credits from a buck in, you know, '08. Equity pricing hasn't gone up to $1, $1.03, $1.10 in D.C. for any other reason than supply and demand.

MS. NEWSOME: Right. So from an equity standpoint. But from just a straight lending standpoint.

MR. DELANY: Banks have a lending test too. They have to do debt. And banks in particular need to do debt as well as equity. You can't get in all your CRA obligations with just equity.

MR. KNIGHT: Are you asking what about this sort of new centralized program would incentivize, or are you just saying in general?

MS. NEWSOME: Well, in general, in the market, but also specifically to this in terms of if you're Bank X or Bank Y. You look at this and you say, okay, I've got CRA, I've got this, I've got this. I mean, all these reasons why I should and reasons why I should not.

MR. DELANY: Those are all the reasons why we should.

MS. NEWSOME: Okay.

MR. DELANY: If you didn't have the CRA obligation you probably wouldn't be in the program. But rest assured that there's enough banks in this market, in D.C., that are struggling to get all their CRA obligations met and you know, if you just took any of the top four or five banks in this market, if they took all of the D.C. deals, they might just meet their obligations. But the fact is, they didn't just take all of the D.C. deals because other banks are trying to get them. So there's always going to be competition for this program.

MS. NEWSOME: And does the CRA catchment area vary from bank to bank, so I mean, you know, you've got a bank who has to consider D.C. but also they can just throw in Maryland and Virginia and be done with it?

MR. DELANY: That depends. It depends.

MS. NEWSOME: It depends.

MR. DELANY: I mean, for us, you know, our D.C. market includes parts of Northern

Virginia.

MS. NEWSOME: Right.

MR. DELANY: Surprisingly enough. But it doesn't include Montgomery County. That's a different market for us, which is also a market for us. And it doesn't include Baltimore, which is another hot market for us.

MS. NEWSOME: Right.

MR. DELANY: So different banks, the OCC maps are drawn differently. It depends on CRA depends on where you have money.

MS. NEWSOME: Uh-huh. Right.

MR. DELANY: If we have deposits, we have to lend back in those areas where we have the deposits.

MS. NEWSOME: So then we need to be, in terms of formulating this, we need that type of data and information because what may be important to you based on your geography may not necessarily be as important to another bank based on their geography. So we shouldn't be making assumptions that, you know, if we have 12 banks, all 12 banks are incentivized in the same way.

MR. DELANY: I would say, that's prudent. I will also tell you that if you pick the top 10 banks in the country, at least seven of them have a big enough CRA need in Washington, D.C. that you will have participation in the program. Unless they find it too difficult and they can get it elsewhere in Northern Virginia or whatever. But I can't believe you're not going to get at least five of the top 10 banks. Capital One being one of them, that has interest in this program because we have a significant interest in D.C.

If you just drive around downtown and count branches you'll figure out who has a need.

MR. BOWERS: Jim?

MR. KNIGHT: Going back slightly to Bob's earlier question about the RSP subsidy and a challenge that we face with that cliff scenario, ends up creating retenanting reserves in each deal.

One other sort of leveraging idea that's been talked about a little bit, I wonder if it hits your radar or if you'd comment on it, Ed, from your perspective, is whether or not we might look at some sort of centralized reserving that doesn't require each deal to carry as heavy a reserve in the deal, and are there strategies that we could use to centralize a risk mitigation for the subsidy program as well as the capital program?

MR. DELANY: Well, as I said earlier, each tax credit deal is underwritten differently. We did a scattered site deal with three properties that had three different -- three very different subsidies from different sources. And it required a lot of brain damage to figure out what's happening with this one, well, could it be the cliff scenario, and if you did lose that subsidy where could you underwrite that one. And, you know, this one we'd be able to underwrite at 60 percent AMI, and you know, we even looked at it with a loss of -- if we lost the subsidy we also wouldn't have to have the supportive services, and the that one property would actually do better.

And then we had another one that was at 30 percent AMI, 100 percent/30 percent AMI, had to be 30 percent AMI, and that one would not really work. So we had to reserve differently for the one within the group than we did for all of them.

So, there's no really one size fits all for that. But if we, within this program, we have enough sources, and if the -- you know, the filter going into the program, say through acquisition is sufficient. And that's the key. You don’t want to put a property -- you don't want to start doing something with the project here that you don't have a way to get it out. It doesn't mean you can't do it. It means that it has to be the one off property. It means we have to figure out a different way to do that property.

And you can always find a way to do it, whether it's more reserves or another source.

But I think you have to have enough of a filter to get something into the program that you have a high likelihood you'll get it out, because there was enough guidelines within the program to how to make it work. That it has hit all the highlights.

MR. KNIGHT: So just coming back, rephrasing that slightly. Since one of the District's goals is to have as many of these 15/30 percent AMI units as we can produce --

MR. DELANY: Uh-huh.

MR. KNIGHT: -- to some saturation, but we're not going to hit anytime soon, would having some form of centralized reserve for the operating subsidy create more appetite for that program that you're talking about?

MR. DELANY: Exactly. And that's what I think I was saying. You know, you could use -- that's sort of what Bill was talking about.

So I said, one use of these funds could be for that operating reserve. Another use of the funds could be for interest rate part of that, or you could have something like that. You're right, because the deeper your subsidy and the greater the disconnect of the property being able to support any debt service at all -- for that matter, maybe no operations, without the subsidy -- without that operating reserve, those are the properties that need to have that attention and they need to have some sort of resource for it.

So if you could use the funds for that, you know, then when you're going to your underwriting, you know, you take off, you know, what happens here. Well, you have this to support it.

MR. BOWERS: Jim, in your scenario are you talking -- when you say centralized, do you mean a central pool that would serve several deals by several different developers?

MR. KNIGHT: Yeah, I mean, in our deal I can't think of the exact numbers. So use this as an example.

If there are $10 of RSP subsidy, $1.50 is being held off the top in reserves in case this cliff is ever met.

MR. BOWERS: Uh-huh.

MR. KNIGHT: So if you do that in every project that's in the RSP and you're holding a $1.05 back of every RSP dollar, just in case the cliff is hit, is there some way to centralize a portion of that and not have to capture as many dollars and --

MR. BOWERS: And the question in that scenario, and this may as much be for Director Kelley's staff and District Government folk, in that scenario, if the trust fund dollars were used in that scenario, two questions. One, from an accounting standpoint, do they have to be accounted for one for one, or do they get discounted so to speak? And secondly, do they have to be held in reserve for the life of the project if they were used for that purpose?

MR. SIMMS: Yes, I think that detail has to be worked out. I mean, similar to the fund piece, the fund piece itself, accounting wise, has to be worked out. I mean, we would hold -- under the fund scenario, I mean, we would hold the reserve.

MR. BOWERS: Right.

MR. SIMMS: I don't know how other -- there may be another way to do it in terms of a centralized piece. But if it's LRSP, then that's not our -- I mean, that's not our funds, so I mean, that's not something we would hold. I mean, that would have to be something the Housing Authority would have to consider.

But if it was trust funds for operating, I would assume we will. I mean, we would hold it.

MR. DELANY: You know, I can't answer the one for one, but I can answer, you know, often there is a push in, you know, for underwriting.

You hit a certain level. You go five years, and you know, if you're operating at X debt service coverage there can be a release of some sort of reserves. And you know, if they haven't been tapped, then you know, that may happen.

Now granted, that's generally on a deal where you wouldn't get the lowest low of the low, but you're still worried about your overhead. And then if you moved on through five years and you had a renewal of your contract, and you're now at a 125 debt service coverage, you may be able to release a portion of those reserves and five years later release a portion of reserves.

MR. KNIGHT: Right. Right.

MR. DELANY: Now, in this case what we're really talking about is many of these deals, you're probably going to need those reserves. But if you're talking about reserves over and above, just lender or equity driven reserves, Jim, as opposed to subsidy dollars, those reserves are against loss of subsidy, right?

So if you're talking about -- but if we have these dollars in this program to pay these subsidies one way or another, whether it's a rental subsidy, whether it's simply buying the rate down, whether it's you know, almost like another agency or another app, that, you know -- all those things are either going to drive debt -- you know, you either need to drive the cost of the debt down or try to drive down the permanent amount of the debt. Or find a way to pay for the debt. I mean, really, those are the three things you have to do.

MR. KNIGHT: I guess my comments come from two principle places. One, the apprehension that the program has for some investors in some markets. So, in our deals we've seen it where the retenting pressure, folks have to -- you hold back a certain amount of this capital, it sits in a pot in case something bad happens.

One would be just to mitigate that perception and try to reduce the amount that would be held back.

The other impulse is, that's a bunch of money that sits somewhere and does nothing. And is there a way to sort of reduce project by project risk by having a centralized reserve (inaudible)?

MR. DELANY: No, I understand your question. I guess maybe I didn't say it well. I'm thinking that one possible use of these funds would be to either show that these funds are available to projects in this program, so that you don't need that reserve in the first place.

MR. KNIGHT: Right.

MR. DELANY: Or alternatively, I think Bill has mentioned was, or it would be a source to fund those reserves.

MR. KNIGHT: Right.

MR. DELANY: Either way.

MR. KNIGHT: Right.

MR. DELANY: You know, that way you can get more banks, more equity investors, more people willing to do it.

The big question that always comes up when you're underwriting the project with a lot of subsidy is, what if.

MR. KNIGHT: Right.

MR. DELANY: Well, if the what if is either covered up front or on the reserves, all of a sudden, okay, now we go on to the next underwriting issue.

MR. KNIGHT: Right.

MR. BOWERS: Bob?

MR. POHLMAN: Yes, I think it has some real possibilities within the LRSP program.

One of the problems with LRSP, project base and sponsor bases, elective time it takes to get -- go from when something has to be authorized to occupancy. Often times a two year delay factor. That money doesn't get spent. It has to be appropriated in order to commit it under a contract. But then it doesn't start to get spent for two years and money piles up in the fund. You can't issue more vouchers because vouchers have to be supported by long-term financing.

And the way this was handled in the past was two ways. One, we did some capital grants out of it, passed some legislation to do that. The second was, the budget office simply cut the spending on an annual basis because they had a big pot of money sitting there. Well, that's the kind of money that we could put into a reserve. It wouldn't hurt the program at all. In fact, there's no other real use for that money because you can't issue more vouchers. So it would be worth looking at that.

MR. KNIGHT: And in that scenario it wouldn't be trust fund dollars.

MR. POHLMAN: Right.

MR. KNIGHT: So it wouldn't need to reduce --

MR. POHLMAN: It would be local rent supplement dollars.

MR. KNIGHT: -- the pool of trust funds. Right.

MR. BOWERS: Right. Oramenta?

MS. NEWSOME: I want to talk a little about predevelopment, because you know, until that happens we don't go very far. So, the question of where would that fit in this scenario here? What's any potential, because I'm noticing that predevelopment costs are getting higher and higher. Looking at some pretty large predevelopment costs that I couldn't have even imagined 10 years ago.

So they're getting to be big numbers, and any discussion at this point about whether anything can be built in here or should we be looking outside this scenario to develop predevelopment dollars?

MR. BATKO: Certainly the acquisition fund was thought of as the takeout for predevelopment dollars that would be invested by CDFI's, or others. So, if a deal came into the acquisition fund then along with acquisition money, predevelopment money would get refunded.

MS. NEWSOME: Refunded.

MR. BATKO: And there would be no real problem, I would think, to have the acquisitions fund fund some predevelopment expense as well.

MR. DELANY: Well, I mean, the thing I see, the issue with that is that you don't want to get something into the acquisition fund until you think you have a good likelihood. You've done some analysis to show good likelihood of getting it out at the end.

MR. BATKO: Right.

MR. DELANY: So, closing under the acquisition fund certainly would pay off predevelopment dollars.

MS. NEWSOME: Uh-huh.

MR. DELANY: You'd have to have some preliminary preunderwriting in order to get into the predevelopment fund. But if you had established program parameters and you said going in -- when I work with equity syndicators, some of my syndication partners have predevelopment funds. Enterprise does and I'm sure you guys do.

They do an underwriting that says, this deal looks like it's going to work as a tax credit deal. And it looks like if we took it through the rest of the underwriting we'd be able to get out. And our source of taking ourselves out of our predevelopment loan is our own equity investment when we close the construction.

So they do that underwriting, and I guess you have to do the same thing. Predevelopment would have to underwrite to say this -- if everything is -- what we're doing pans out, we'd then work in this next step.

MS. NEWSOME: So then are you saying that if banks are willing to participate in the fund, or at least the ones I guess that are equity providers, that there's a solution for predevelopment?

MR. DELANY: Yeah. Banks do some predevelopment lending. It's easier for the equity side to do it.

MS. NEWSOME: Uh-huh.

MR. DELANY: And the reason is banks -- if I make a construction and a permanent loan, I have to do a certain level of due diligence.

MS. NEWSOME: Right.

MR. DELANY: Environmental, engineering, et cetera. If I make just a plain acquisition loan, I still have to at least -- I have to do the same credit underwriting I'd do. I have to do -- I need an appraisal, and I have to do the environmental.

MS. NEWSOME: Right.

MR. DELANY: I don't have the plan in (indiscernible) review because you don't have the final plan. But that's a lot of your underwriting that I -- same underwriting I would do if you were ready to bring in the deal and tell me, you know, we want to close this loan in 90 days.

MS. NEWSOME: Uh-huh.

MR. DELANY: So that's why the syndicators don't have that same burden. They still do some of the underwriting but it doesn't take as long, because they don't have to get all the third-parties, and they're not governed by the OCC.

MS. NEWSOME: Well, I guess I'm trying to get a sense of how much should we then be concerned about predevelopment, because if we have a -- this is one source that you sort of described, should we consider that there needs to be other softer sources? Or this scenario you just described is pretty much going to meet the need?

MR. DELANY: Well, I'll say though, on the other hand, when equity investors -- and since I don't do it directly, but a lot of my syndicating partners do, and sometimes the money that they use ultimately comes from me at one point or another, but more likely it's being paid out by the investment dollars I do. They do reserve that for some of their better customers, for people who have a track record.

MS. NEWSOME: Right.

MR. DELANY: Et cetera. I mean, that's how most deals are done anyway.

So if you were looking for a project that you might otherwise deem worthy, but they don't have the bigger track record, that sponsor might have a tougher time accessing predevelopment.

So I don't want to set the parameters for the acquisition fund. I mean, I'm just one guy here.

MS. NEWSOME: Well --

MR. DELANY: But, yeah, maybe you do have some monies for predevelopment, for those folks who couldn't otherwise get it.

MS. NEWSOME: Because I wanted that put on the table because I don't think we should, you know -- I mean, step one, step two, step three. Predevelopment is a huge piece of step one. And right now there is very little resource for the softer predevelopment.

And to establish these type of funds with no consideration to where you're going to get that softer predevelopment fund is putting the cart and the horse in two different lanes. So I think that has to be a part of this dialog, a bullet point about -- and, you know, the question of who enters that market. And how maybe in some cases the city's funds could be used as a source of enhancement on those dollars from the CDFI's or some other source.

So I want to put a bullet -- if we could add a category here of the predevelopment fund.

MR. SIMMS: I think predevelopment was

already -- I mean, just in general in the conversations that we had, as a mechanism of takeout. There are plenty enough institutions who do predevelopment. I think the opportunity is to have some criteria around predevelopment.

The City, DHCD already does a lot of predevelopment dollars. The difference that we do from the CDFI, we don't always get our predevelopment dollars back. So when you talk about cycling I think you have to talk about cycling in its totality because the less we do, the less we have, the less we are going to be able to put out.

But I think if we have a unified approach to it, this structure provides access at all the critical points. The predevelopment, the acquisition and then the permanent.

MS. NEWSOME: Uh-huh.

MR. SIMMS: So, you know, you kind of get in where you fit in. And so at the beginning, if it's predevelopment, others provide predevelopment and the deals are solid, then obviously there is a mechanism for taking it out.

MS. NEWSOME: Taking out.

MR. SIMMS: If there is -- I mean, I don't know if we have to reinvent the wheel in terms of enhancement around predevelopment dollars because it already is there. What we don't have is unified criteria to say, here's what we get predevelopment dollars on, here is the mechanism for takeout because right now if the City -- I think that people are looking for the City to put those predevelopment dollars in it. Well, we already do that, and the one thing we don't see at the end of the day is necessarily the return of the predevelopment dollars at the end of the day, so.

MR. BATKO: But if you knew you had a project that fits in this --

MR. SIMMS: Absolutely.

MR. BATKO: -- then you'd have a greater likelihood --

MR. SIMMS: Yes.

MR. BATKO: -- you know you have a

greater likelihood of getting predevelopment dollars back.

MR. SIMMS: Absolutely.

MR. BATKO: Right.

MR. SIMMS: But I would say to the other investors or lenders that are involved in the process, if everybody is onboard, then here is your mechanism to kind of take that predevelopment loan out. Now cycle that back to the next deal that fits that criteria where they can do predevelopment and move through the process.

MR. BATKO: And the issue is going to be for those deals that at least initially don't look as if they're going to correspond to what would be a solid deal that everyone agrees to.

MS. NEWSOME: Which means you've got to make a risky investment to get it to that point.

MR. BATKO: That's right.

MS. NEWSOME: Which is where you need the softer dollars, because it may not be taken out eventually by the --

MR. SIMMS: But I would say then, then look at the cases, I'm saying -- to me, yes. But at the same time, we're all talking about trying to do strong deals. And there are deals that are riskier than others, but let's talk about what the mitigating factors of making those deals more risky, and try to deal with those issues before we even get to a predevelopment, or in addition to predevelopment.

MR. DELANY: Right. This whole program is set up to mitigate the risks of the very low income deals.

MR. SIMMS: Right.

MR. BOWERS: Jim, did I see you about to ask the question or make comment?

MR. KNIGHT: Just quick comment.

MR. BOWERS: Yes.

MR. KNIGHT: Whether or not there's enough predevelopment money today for the pipeline that exists today is debatable. If this program ramps up and there are more deals being done, then there would theoretically need to be more predevelopment money at some point in the future. So, just wanted -- I think it's debatable to say that there's enough now.

But even if there is, there may not be enough later.

MR. BOWERS: And I think to Bill's point earlier, there is a precedent within the DHCD because the SAFI program allows a certain portion to be used for predevelopment. So there is a precedent that's been set by the department in terms of from a leveraging standpoint, utilizing some of the funds for predevelopment.

MR. KELLEY: Yes. David, I was going to suggest that, you know, defacto we're already rolling. You know, if you come in for a SAFI or a TOPA deal recently with us, the first question that Oke or Nathan will ask is, what's the permanent financing mechanisms.

You know, so the days of just acquisition and which you know, everybody high-fives each other and feels really good, hey we supported the purchase of this property, and then five years later we're figuring out, well, let's come back and see if it works or not, is now being more and more embedded into our discussions with non-profit -- particularly non-profit developers as is proceeding.

And again, invariably the questions get fleshed out at a very high level about is it workable, and is it worth your going out to LISC or someone else to borrow the money for the predevelopment, to get to the point that acquisition will buy that out, and then just as they were saying, the full banana. These are just the three sections.

One begets, clear it for two, which pays for one, and three pays for two, and that ideally this becomes a system that's perpetuating if we get it rolling.

But right now the point is, I think, defacto. We're kind of going down that road right now.

MR. BOWERS: Go ahead.

MR. PASCAL: And the banks started asking the same question, and they have been for the last four or five years. You know, so there's a lot less TOPA deals for instance, unless there's a source of getting out if it.

MR. BOWERS: Uh-huh. Yeah.

MR. DELANY: And, you know, as with anything, the greater the certainty of execution the more resources you can commit to it.

MR. BOWERS: Right.

MR. DELANY: And it's just like whether you're -- I don't know how many of you all have tried to apply for AHP funds from the Federal Home Loan Bank. The Federal Home Loan Bank used to be people would go in and say, I'm going to get cash credits, or I'm going to do this, I'm going to do that, you get your money and then they realize that other awards weren't getting done.

So now, if you come in for two almost identical projects, going for an AHP award, and one already has this tax credit allocation, and the other one is applying for tax credits, it is

-- the one who gets -- has tax credit allocation is going to get that award and the other one is going to be asked to reapply after they get it.

And, you know, so you almost always have to be in two rounds for the AHP to get your AHP.

You might go first, anyway, just to see how closely you score so that when you finally get your allocation you go back in and you're almost a shoe in.

Just to get you predevelopment. If you've gone through this process and you've got a very high likelihood, you've gotten some -- I don't know, if you want to have an initial scoring or show that your project will fit in this box for acquisition, I think you'll get a lot more people willing to give you acquisition or predevelopment loans. I mean, predevelopment loans, than they would if you just said, I think this thing is going to work, because Director Kelley's point, there's too many deals that are already in the system that didn't have enough rigor in the beginning in how they were underwritten.

MR. BOWERS: Right.

MR. BATKO: Nonetheless for predevelopment, your certainty on knowing whether you could do a deal comes with more information. And so there's going to be some amount of initial outlay. Right? That has to happen, even before you know whether you more or less correspond with the framework that we're talking about.

So we're not talking about eliminating the need for that predevelopment, but more having a smaller amount that you've got to put out at risk.

MR. KELLEY: You know, we actually had working groups around a lot of stuff these days, but one of them was looking at TOPA deals. And that, as a topic, has come up obviously as you might imagine. What becomes very difficult though, is that it's $5,000 to become a member, is it? Fifty thousand? Is it? Two hundred and fifty thousand dollars.

And, you know, is this part of town

better than this part of town? Or is this size
better than this size? So it becomes very
challenging to try to find -- even if we wanted
to carve out some dollars specifically almost in
the form of a grant to say, hey you know, we love
you and we want this to happen. At some point
it's going to say, well, what becomes -- how do
you administer such a program? What becomes the,
you know, the parameters around that?

MR. BOWERS: Oramenta, and then Craig.

MS. NEWSOME: Well, I just going back to
what Ed started out by saying in terms of as you
go lower on the income scale, the difficulty.
And I want to remind us of the last meeting with
Deputy Mayor Otero and Mr. Berns, making their
case for housing the lowest of the low income.

And the giant significant need there is
in the city. And so there is a sort of
incompatibility there to a huge element of what
we're talking about in comparison to the
population of the greatest need.

So I think as the Trust Fund Board we

have to be very mindful of that, that are we creating a product that in effect is only going to serve the larger -- the higher income, when we've just had, you know, very eloquent presentation that says that that's -- there's demand there. But the most significant demand is on the very low end. You just had a banker say, the lower you go, you know, the less that we will participate.

So I just think --

MR. DELANY: Well, I want to say, I didn't say that.

What I said was that the lower you go, the --

MS. NEWSOME: The greater the need for subsidy.

MR. DELANY: -- the greater the need for subsidy.

MS. NEWSOME: Right.

MR. DELANY: And the fact that those projects with a significant -- really more low-income, can't support hard debt.

MS. NEWSOME: Right.
MR. DELANY: That's the key thing.
MS. NEWSOME: And so, no, not -- I worded it incorrectly.
MR. DELANY: So I think that's where the program has to go. I think, you know, it's just like, you know, when you look at a tax credit application or whatever; you're going to give waiting to certain things. So maybe two otherwise liable important projects, if this one serves the lowest of the low, maybe that one gets the dollars. You throw more dollars at that in multiple forms, either for rent subsidy, rate buy down, or whatever. And this project that's 60 percent AMI or 50 percent AMI, either doesn't qualify or it gets a lot less help because it doesn't need it.
MS. NEWSOME: Right. And what I'm saying is that I don't want to put us in a position where we're trading off the lives of people in terms of who gets housing and who doesn't get housing; that we need from day one to acknowledge

the reality of what you're saying, and that when we create products that we create products to meet the continuum of need.

And I didn't mean to, you know, word it that way. So I don't want us in a situation where we're constantly trading off people's lives.

MR. SIMMS: But I think, it's not a trade off because we're already seeing -- from an agency standpoint, we're talking about where our resources are being spent, and I mean resources in terms of, we have this, and that's two-thirds of our deals. Then two-thirds of our deals are not going through this channel, which means one-third is done internally by our staff, that can analyze these projects and push them out that much more faster.

And I think the other part about it is, we have a -- the consolidated NOFA is the sources around that NOFA. This would be a rolling kind of application type of vehicle versus, we would still have to do a NOFA just based on the terms of the consolidated MOU with the other agencies of how to coordinate those services. So that opportunity is not lost.

And even when you talk about dollars in terms of enhancement, accounting wise it would have to be a separate accounting for that fund. There would be a fee, and the fee would, you know, take care of -- it would allow it to grow if we didn't have any losses.

And then it would be self-generating and self-funding amongst itself. So I mean, it's not really splitting -- it's not splitting hairs or making choices about who we serve. I think we know who we serve. We're just trying to serve -- we serve everybody. And so that has its pluses and its minuses.

But as we service everyone, we want to service people quickly and this allows us to do that.

MR. BOWERS: Craig, you had your hand, and then Sue.

MR. PASCAL: Well, you know, we talked

about a lot of issues and there's a lot that has to be worked out, internally and then externally when you go to the banks.

There's only three or four banks that are very active in this space, and Ed is one of the greatest, and there's a few others. So it's not a big universe of people you have to reach out to.

And like Ed says, we do have goals and things. We sort of have, you know, certain things that are higher valued, then you go down these kind of loan funds and you'd have to get a temperature about a geographically specific loan fund, and that might not be the same person as Ed. It might be another person in the bank that makes that decision.

But it's not a big universe of people that you can talk to, and once you flesh it out. And so, and DCHFA obviously can give you the list of the top three or four people they're working with on tax credit deals.

And we, you know, go forth there. But

there is a lot of issues to be worked out.

In the meanwhile we are blessed with the $100 million and hopefully this year will be a very good year for all of us, you know, if these deals that are in the pipeline can move forward. So I think it might take a little while to flush out all this and hopefully we'll all have a great year, and then you flush out some of these details for the future.

MR. BOWERS: Sue?

MS. MARSHALL: And I want to go back to the point, my take away from this is these are all wonderful ideas. And to Oramenta's point, we have to do more things differently quickly to be able to address the difficulty of producing the units in the very low-end of the income spectrum.

And in that regard one of the things I'd like to do coming back is a presentation on the rapid rehousing, and how long people stay in that program to go to Milton's point of how do we reuse some of the dollars that were allocated currently to meet some of the gap here.

MR. BOWERS: Yes. That's great. Thank you, Sue.

I want to take two or three more minutes. One, to make a statement and a couple to ask questions, actually I think for Bill. One, I constantly want to lift up a reminder that at least on a portfolio basis by statute, trust fund dollars, there are requirements for the incomes that the trust fund dollars -- and I think this goes back to Oramenta's point, that 40 percent of trust fund dollars were supposed to serve people making below 30 percent of AMI.

Another 40 percent are supposed to serve people making between 30 and 50 percent of AMI. Not on a deal by deal basis, but on a portfolio basis.

So by statute, if and until that changes, that's where the dollars are supposed to be hitting. And that is by law. And so that's just -- there is kind of a grounding there in terms of who the populations that are supposed to be served.

Bill, a couple quick questions for you. One, I was hearing in your presentation and in the conversation, issues around potentially securitizing dollars, buying down rate, credit enhancement, and kind of using money for reserves.

And I think that one of the things that would be, as your work unfolds, looking at kind of of calculus's around how much bang for the buck each one produces, obviously. So for example, with SAFI there is a one for one requirement. It can be more but that's kind of a baseline. So we say, okay. One dollar here gets us at least another dollar her.

There have been discussions back with the Housing Task Force and others around if you again take kind of that securitizing of dollars, whether it's trust fund dollars or tax dollars, whatever it may be, if you take 20 million a year, that may be able to get you two or $300 million in a pool now. The buy down seems like, you know -- and not only what does it leverage you, but also what impact does it have on recycling.

So the buy down may stretch something here, but you know that's a one and done. And so there are tradeoffs there. So I think that as the work gets done that notion of with the different options how much is leveraged, what impact does that have on the recycling of dollars, of things would be interesting issues to look at. And what the crosswalk is to other government dollars that are being spent.

And, Milton, I think this goes to your point and I think the one Jim brought up, and Bob earlier, about if dollars from another pot are being spent for housing related stuff, you know, again, kind of looking at what the leveraging cross-walk is also.

Because then it may be a decision that the mayor would make about, you know, if leveraging is going to happen, which pot to pull from. You know, is it trust fund dollars, is it local rent supplement dollars, is it some other place? You know, social service dollars for example, and I think that was Milton's point earlier. So, having that kind of analysis would be good.

So I think we certainly -- Bill, if you don't mind obviously keeping us updated and we'll look, I think, bring you back as you're making progress. I know the work that's going on by contract for the Department to explore some of these. We'll continue to bring in other guests to flush out other ideas that hopefully -- and we'll obviously invite you to come and hear that as well. So if you keep us updated we'll also invite you to come, and Stu to be a part of -- these are public meetings. But to hear some other ideas that are brought to the table. It might help your work as well.

So many thanks to Bill Batko and Ed Delany for being here today as guests. And we'll push forward in the agenda.

You gentleman are welcome to stick around or if you need to leave you may, or if you'd like to stick around feel free to do so.

Okay. Updates, number 4 on the agenda, updates on Housing Production Trust Fund activities. Director Kelley, or Milton, any -- or Nathan, anything; things you all would like to make sure to update us on as it relates to this, on trust fund activates?

(Ed Delany leaves.)

MR. KELLEY: Well, we can start in terms of probably the most important one is recalibrating our navigational points to an April 2nd, a notice of funding availability. Our super notice of funding availability. There will be three workshops, each at the end of January, February, and March, the last Wednesday of each of those months as we've done in the past to try to make our partners as successful as they possibly can be in competing for these dollars by letting them know what the requirements are.

And also looking to continue our effort to bridge and to marry social service providers along with housing providers, so that they can come in and partnership to respond to these.

I think the one thing that we are looking to do at this point, and it's not totally flushed out, but wanted to kind of give the Housing Protection Trust Board Advisory Committee our thinking about some changes that may occur for this. There is a notice of funding availability.

And with a drum roll, I'm going to ask Nathan to kind of share with us those sort of three major headings.

MR. SIMMS: Sure. So one of the main things that we've done -- so, we're pushing the envelope, I think, in a couple of different ways. The last board meeting I think illustrated that point that we're trying to cover the need for permanent public housing at the same time of trying to get faster and work through that process.

So that has again, for the record, I'd like say that has its own unique challenges. But we're trying to work through that.

So one thing that we're going to do right off the bat is a set-aside requirement for each project awarded under the NOFA. There has to be a five percent set aside for permanent supportive housing. We are going to increase the prioritization scoring piece for an increase of three-bedroom units.

We're going to do a tier one/tier two approach. So this gets back to the quickness aspect.

If you have your financial commitments already lined up, so it's almost a scenario, all but for the gap financing this deal is ready to go, we'll have tier one processing, meaning that we will process, provided those projects meet the threshold criteria, we will process those projects during the summer.

And so that puts us at a place of either getting it to counsel prior to recess, or just as they come back. So it could be the end of the fiscal year in terms of a potential closing date. Or quarter one, FY15.

We'll have the tier two process. And the tier two process is reflective of the current process that we have now. But I think it's, again, in terms of the readiness aspect, let's be clear that the projects that are ready to go will go. And that means the projects that, you know, are still in that tier two are now competing for a smaller pot of money.

At the end of the -- so that's one of the aspects. I think that's pretty much it, I think I've hit all the points.

MR. KELLEY: Technical, architectural --

MR. SIMMS: Oh, yeah. I'm sorry. Yes. So, we're looking at the elimination of the 212 form, and the emphasis of the 215 form. We do understand that that is costly. But again, getting to the point of trying to be timely and be able to estimate what the need is, the need for the drawings, the specs, is our way and your way of -- as the developer, to narrow down the construction costs and what in fact the subsidy would be. So we're looking at that as well.

MR. BOWERS: So, Nathan, I'm sorry. You

said the elimination of the 212 form. And can you say what the 212 form is for the record?

MR. SIMMS: Sure. I mean, it provides just some cost estimates, construction cost estimates. The 215 is the more harder of the two sort of drawings, schematics drawings, a little bit more detailed around the construction.

MS. NEWSOME: So you want the 215, you don't want the 212?

MR. SIMMS: Right.

MS. NEWSOME: Okay.

MR. BOWERS: Okay. Jim?

MR. KNIGHT: I'm going to ask two questions, so hoping they're big picture questions.

One is, is there any capacity for the board to offer any input in addition to what the Department has already thought about for the next NOFA? So in past conversations we've said, well, this might be something that we advise gets preferential scoring or something in the RFP. That's coming fast. Is it plausible that this body could have some suggestions for the Department on that regard?

And maybe that's a future agenda conversation.

Second, and this really comes out of this subcommittee demand side conversation and hearing both the deputy mayor and Director Burns talk a lot about the -- Sue, help me with this if I get it wrong. But the relationship between serving the very low-income people who are on the DHS roll in the shelters. There's only a certain percentage of them where the advised housing solution is permanent supportive housing, and that's in the 10 to 20 percent range. And in the 80 to 90 percent of their population needing other forms of housing.

It just raised the question, has that made it to DHCD yet as an emerging sort of policy preference, if that's the right way to say it? And have we done any analysis on where the PSH production targets are? Are we going to overproduce them, for instance?

I just was really marked when we sat and heard them talk about the desire to finance rapid rehousing, and not build more PSH. PSH is much more expensive over the long haul due to the lifelong operating subsidy.

So is that conversation going to move fast enough to impact this super NOFA thinking, or should that be disconnected and thought about for the next RFP?

MR. BAILEY: I think it's an overlapping dialog. I think that you start having the dialog now with the understanding that it's not going to be perfect coming out of the box to begin with; that there are modifications that can be made over the next couple of years with --

MR. SIMMS: Yeah, I mean, I would say -- I mean, we're literally like -- and I say this in every meeting. So, we're like two weeks away from having our first workshop, and so the more we spend time, I think kind of -- and I'm not saying that that's the only right amount.

MR. BAILEY: Dialoging and write up the

last time we got it, put it on the screen.

MR. SIMMS: Right. I mean, we have to put all the checks and balance, I think, in place to really, to do that.

So I mean, what we can do now, I mean, I think we're ready to do now, I would say I mean, even the things that are kind of laid out, I mean, is a huge step for even that short period of time.

As we get to additional pieces, you know -- I think I said this in the last working group. But, the coordination of services is equally important. So if you're talking about different ways of doing it, it's one thing to say to finance the housing. It's another thing to say that the operating and the service dollars are there to do it.

So I think that it should be done in concert.

MR. BAILEY: Yeah, and I (indiscernible) saying, I mean, I think that how we tie the service dollars to the five percent is going to be key.

MR. SIMMS: Right.

MR. BAILEY: And so Matt and BB are going to be the ones that are going to be able to bring the social service cluster agencies around that issue to give us some good numbers in terms of what those supportive dollars are going to be.

MR. POHLMAN: Clarification. The five percent applied to everything coming through the RFP, including tax credits, or just trust fund are you talking about? Or --

MR. SIMMS: Everything.

MR. POHLMAN: Everything. Okay.

MS. NEWSOME: And it's five percent of the units, five percent of the --

MR. BAILEY: Units.

MR. SIMMS: Units.

MS. NEWSOME: Units. So --

MR. BAILEY: A hundred units.

MR. SIMMS: Five of units.

MS. NEWSOME: Five units. Okay.

MR. BOWERS: And look, and has there been any feedback the Department has gotten from developers about this, this requirement for better or for worse? Or haven't heard anything yet because it hasn't really hit the streets yet?

MR. BAILEY: No. It hasn't hit the streets yet.

MR. SIMMS: It hasn't hit the streets.

MR. BAILEY: But to give you an indication of what past experience has demonstrated, owners or project sponsors typically balk at the requirement until they are assured that they're not the ones, or their property managers are not the ones that are going to be getting up in the middle of the night dealing with permanent supportive housing residents. That that would be a function of the social service providing organization, or the organization who has placed the resident within the unit.

Once that is understood, then it no longer becomes issues, or a liability. It becomes a benefit because they know five percent of their units are going to be occupied.

MR. SIMMS: And it gets to geography too. I mean, you have geographic distribution of these units across the city, which I think is a win/win.

MR. POHLMAN: Just curious, Milton, you did that in Louisiana, right? And did that work with tax credit projects?

MR. BAILEY: Sure. We applied it to everything, and they're still doing it.

MR. BOWERS: Okay. Jim, I want to go back to your point. Are there kind of a both ends, in terms of today are there any immediate feedback you or others have on these key points in terms of direction? Or were you suggesting that we, at the next meeting, perhaps spend some -- between now and the next meeting if folks have ideas that we want to generate, bubble up and share with the Department to help inform the current NOFA? Is that what you were going at?

MR. KNIGHT: I mean, at first blush I'd support all of these as things that have been talked about at least at one level or another. There were a couple things that stood out to me in the demand side conversations that I'm not sure we ever focused to the point of DHCD saying --

MR. BAILEY: Of recommendation.

MR. KNIGHT: -- we like them or we don't like them.

MR. BOWERS: Right.

MR. KNIGHT: Whether that was formed as a recommendation or a suggestion. Is it too late to do that in this RFP cycle? Are we really looking at the next one and are these going to be annual cycles, so we're waiting a whole year, or do we think they're twice a year so we're only waiting six months?

MR. SIMMS: No, we're not at a -- we only have 40-something deals. No, I think we're not -- I mean, that's kind of the obvious point. Right? I mean, we're on a cycle basis. We're moving to a track which Bill highlighted, which alleviates some of that. We still will be in a cycle basis to coordinate our funds, but I think we're moving in a direction that may be in a rolling application period.

We got a deal with the -- I mean, frankly we just have to deal with the deals that we have now.

MR. KNIGHT: And so my comments are really less about DHCD's perspective and more about is there a sort of a deadline on when the board distills its best thinking at this moment?

MR. SIMMS: Right.

MR. KNIGHT: And then all its next best thinking waits to some future point.

MR. SIMMS: Right.

MR. KNIGHT: That's all I'm trying to get a sense for.

MR. BAILEY: And I get and appreciate that. I think that one of the handicaps is where we were in the cycle, in the development cycle of the RFP development cycle when the Board was impaneled, and how far we've progressed since then.

I believe that we have, as demonstrated by Nate, taken into consideration a good number, if not all of the considerations that have been brought to the table both by this panel, but by social service providers and the like, and have attempted to accommodate as much as we can, given the short period of time, in order to get out the April NOFA.

That does not say that we can't improve. And that does not say that we can't continue to have a dialog with specific recommendations coming from this group.

But it does say the likelihood of any new recommendations outside the ones that have already been in the ether, are probably unlikely because of the two week turnaround that we have before we go to publish -- or the workshops.

Because it's on a cycle basis, then how this body informs how we move forward with the next NOFA and builds the next NOFA, and the empirical data or outcomes of how successful the new improvements have been is something that we can look toward a 2015 NOFA and make it better. And then that would also say, based on that data, how can we make the 16 better.

So don't feel as though your input has not been considered. We just try to pick the most low-hanging and easily accessible fruit first before we get into more complicated components.

MR. KNIGHT: So that being the case, if that's where we are I certainly accept that.

There was one notion that I would just throw out there to see if it's too late to catch in some form or another. In one of the things that was being talked about on the demand side was the array of supports that can be leveraged to housing residents. And the case managing is one form of support, child placement, adult education, bringing service providers who focus on afterschool hours, lots of good non-profits that are helping kids from K to 12 and college matriculation, is there any capacity to look at trying to bring those services to the RFP in the same way that some of the others have been?

MR. SIMMS: But I think that's a conversation with BB and Matt, because that issue does not have anything to do with that -- it has something to do with the consolidated piece around the services, but it has nothing to do with the aspect of the construction of the housing. They are equally important.

But as I said, I mean, that particular issue, because that's the DBH and DHS, that needs to work out that particular component. So I mean, both agencies are aware of that. And I'm not going to deflect it because this is our NOFA to bear ultimately, but that's where that solution needs to come, from that particular process. That has nothing to do with the development of the housing.

MR. BOWERS: Oramenta?

MS. NEWSOME: I would just -- your tier one and your tier two, I'm assuming, or I hope that you have established some pretty succinct criteria because this is going to be a New World order for the applicants.

MR. SIMMS: Yeah. Uh-huh.

MS. NEWSOME: And I can -- the worry I have is that you start out with a tier one group because you believe that they are in a situation where they will move faster, and you end up with the tier ones and tier twos closing at the same time.

So I would say, I think it's really important to have some pretty definitive tier one criteria so that you don't find yourself not actually accomplishing what you want because for whatever reason.

And to somewhat deflect the ones ending up in tier two saying, well, they got preference and here I am, six months later, they haven't closed and I'm closing.

MR. SIMMS: Sure.

MS. NEWSOME: And I got --

MR. BAILEY: Yes.

MS. NEWSOME: -- you know, I got less money in my little pool here of tier twos.

MR. SIMMS: We anticipate that, I mean in terms of how many deals that we see will very small.

MS. NEWSOME: Small.

MR. SIMMS: Because we are starting out in this direction. But I mean, if you look at the type of deals we probably will see, it will be people who start probably their tax credit process early. We met with the housing finance agency about that so that we can get some coordination around that. So that's then, basically -- that caught Craig, that caught them off guard a little bit.

So I mean, those are things where people have to retool the system. And I mean, frankly, when we're in a conversation and meeting where people are saying, we need to be considerate, we need to be faster, we need to do this, we need to do that, we're doing these things.

So I mean, to be able to -- everybody has to move in the same direction so we anticipate that folks will have to respond in that way.

But to your point, we anticipate that it will be smaller. But I mean, people have to now go beyond the towing the water approach. I mean, it has to be kind of, you know, dive in and see what happens.

And so we think -- I think we talk about what, five to seven deals potentially. It may be less than that. But to just even have that process for us, you know, sends a clear signal.

MR. KELLEY: Yes. The other thing too, is there's so many projects that it's really just timing. You know, come that May 31st or whatever the actual date is, at that date the zoning wasn't in place. Or at that date something didn't happen. And so the idea that those projects that were all but for, now have the ability to get back in the game, or I think is the other kind of logic around this.

MR. SIMMS: And we're going to encourage folks to not wait until the end of May to submit your application. If you can get everything in April, we can start in April. We'll be flexible around that.

So I mean, we can start whenever we get them. It's just that for whatever reason folks want to submit their applications on the last day. I get that. But the earlier we get them, the more we -- the faster we can start and we have the resources built in to take those from day one. So.

MR. BOWERS: Thank you.

MR. SIMMS: Spread the word.

MR. BOWERS: Yes. And the dates for the briefings have been established locations. Is that right? And so we'll be able to help -- folks want to help get the word out. Thank you all on that.

We'll move on to old business, the budgeting issues, which is there any update, Director Kelley or Milton, on the issues that were outlined in the letter; any new news on that one? This was the letter.

We did get a letter back and discussed -- or didn't really go into detail on it last month, from the deputy mayor.

MR. KELLEY: Yes. No updates.

MR. BOWERS: Okay. All right. So we'll continue to look to see if we can get updates by our next meeting on that.

Any other old business needs to be discussed?

Okay. For our next new business in terms of the next meeting, a couple things we wanted to highlight.

One, wanted to make a request, Director and Milton, at the next meeting could we get some updates on just how things are progressing with the progressing of the 2013 NOFA recipients, just a general kind of update where things stand with the processing of that? And the kind of finalizing of -- not a finalizing, but a look at kind of what types of projects made the cut at what income bands and units. I think some of that has already been prepared.

And then just a general sense of how the process is going. So, doesn't have to be a long in-depth, but wanted to spend a few minutes for the Board to be able to get some update on how the 13 NOFA is progressing.

The second thing is, we will again, if there is any way to get any update on the issues that were addressed in that letter, that would be helpful.

The third thing is we will -- we anticipate we'll have another guest or a couple of guests potentially at our next meeting, again drill down on leveraging issues, some other thoughts and ideas around leveraging.

Fourth thing, Sue, we'd like to follow up with you on the idea about having a conversation about rapid rehousing dollars and kind of when that might happen and how to structure that. So we'll talk about that.

The other thing is, wanted to see if we could find the date. We had had some conversations in previous meetings about doing a larger gathering that would involve financiers, developers and city agencies. Kind of how do we get to the 10 by 20 conversation? And we have had some conversations since our last meeting with some staff about that.

And I think one of the good things to think about is that some of those conversations, and I want to thank again, Oramenta at DC LISC because the leverage working group has actually been able to have some of those conversations with the financiers and worked with Bob Pohlman and CNHED to I think engage some of the development community as well; non-profit development community and some of the conversations.

So there has been some of the one-on-one conversations if you will, with some folks about the issue. So I think the bringing together of the group as a whole, if you would, would work.

I wanted to ask if we could -- if doing something kind of end of February could potentially work, Director, if you all think that would work from a timing standpoint if we tried to look at maybe a last third or fourth Friday in

February to do that kind of -- and again, the thought would be to -- and kind of building on even some of the conversation that was here today, essentially the CDFI's in town, some of the banks in town who you all have worked with. Bring them to the table. Bring the developers who have responded for-profits and non-profits who have come through the process, whether they received funds or not in the last maybe two cycles.

And then whatever appropriate agencies. Housing and otherwise; whoever touches. Bring them all in a room. And again this notion of having some folks from the city talk again, remind folks about what the mayor's vision is around the 10 by 20.

And this, I'm kind of generalizing here, but the notion would be to have each group kind of talk through in order to get to that vision. What do you see as the resources you as an industry have to get there? What do you see as the gaps that it -- impediments, whether it's dollars or policy or otherwise, to get there and have everyone in the room kind of have that dialog and start to try to map out how could we best get there. Particularly as it relates to the use of trust fund dollars, but more in general.

So nothing hard set on that but I just wanted to kind of -- and this is also for Board members as well. If we did a special call meeting, kind of end of February, would that work from a timing standpoint? Is that --

MS. NEWSOME: Well, were you making this an event, or is this a board meeting where these people are invited?

MR. BOWERS: The later. Board meeting where the folks would be invited.

MS. NEWSOME: Okay. Great.

MR. KELLEY: Works for us.

MR. BOWERS: Works? Okay. So we'll look at -- I'm looking at -- and there's no magic to this, just trying to not do it too soon; give ourselves time to make it happen right, but also not stretch it out too far. Particularly also with the NOFA coming to do this, maybe last Friday in February. But I'll --

MR. BAILEY: So you're talking about two meetings in February, one on the 10th and one on the last Friday of --

MR. BOWERS: Yes, sir. Yep. Yes, sir.

MR. BAILEY: Okay.

MR. BOWERS: So this would be a kind of special call meeting, if you would, outside of our normal meeting routine.

So what I will do is follow-up with Board members and the staff. I know folks need to go back, double-check calendars. We'll try to make sure -- I know we can't get everybody on all these dates, but if we can at least get a quorum of board members.

And I'll ask, Director, if you all can just double-check and make sure there are no major conflicts within city government, let us know and then we can work with you all to develop kind of invite list and work out the logistics.

Anticipating this would probably be maybe kind of a 9:30 to 12:00, 9:00 to 12:00 kind of deal. Morning conversation. Make sure we have plenty of time for dialog and back and forth.

Any suggestions, concerns, comments on that?

MR. KELLEY: With Allison here, is this something we want to look at having the recommendations from the Bridges to Opportunity be the basis for the discussion?

MR. BOWERS: I think that could be a very good idea. Yes, sir.

Stan Jackson?

MR. JACKSON: Could you call that -- I'm going to be out of town that week but could you call in and participate?

MR. BOWERS: Sure. Absolutely.

MR. BAILEY: I don't know.

MR. BOWERS: Long as your phone bill is paid up.

We have come to the point too, public comments, are any folks who are here attending the meeting from the public, any comments that folks would like to make from the public? It's the public comment section of the meeting. Any comments anyone from the public would like to make?

(No audible response.)

MR. BOWERS: Okay. Any announcements from Board members or staff that need to be made?

MR. KELLEY: If I can, I'd use this forum as an excuse to share with you all the cool stuff we do here.

MR. BOWERS: That's always good.

MR. KELLEY: There is going to be a tenant opportunity to purchase for tenant workshop in this room on Thursday, February 6th from 1:00 to 3:00. There is going to be a first year in the life of a small housing provider, that's February 4th from 1:00 to 3:00 in this room. These seminars sort of, you know, engage the community and inform them of our programs.

And speaking on behalf of one of my favorite clubs in town, CNHED, there is a big pow-wow coming up. February 1st?

MR. POHLMAN: Oh, wait. Oh, well, there's a meeting. There's a monthly meeting here, on Thursday.

MR. BAILEY: That's right. Monthly meeting here Thursday, right.

MR. POHLMAN: And we're going to go over the little status report on this body, the leverage working group, the Permanent Supportive Housing Production Committees. And then of course, Michael, we've asked you to kind of give an update on the Department.

MR. KELLEY: It's going to be awesome.

(Laughter.)

MR. BOWERS: We would expect nothing less. His commercial says, why wouldn't it be?

And that meeting will be here. Is that correct?

MR. POHLMAN: Yes.

MR. BOWERS: Okay. And then, Bob, do you want to say anything about the rally by any chance, that relates to the trust fund, is that right? The Housing for All rally.

MR. POHLMAN: Oh, yes. It's on February 1st. The mayor is coming and it's a church downtown.

MR. BOWERS: Yes. So that --

MR. POHLMAN: It's close.

MR. BOWERS: It's close. Right.

MS. NEWSOME: (Indiscernible.)

MR. BOWERS: That's right.

MR. POHLMAN: February 1st. Is it Calvary Baptist, or something like that?

MR. BOWERS: Calvary, yeah. Yes, that's right. Okay.

MR. BAILEY: We see where he's been.

MR. BOWERS: Any announcements? Right.

MR. POHLMAN: I don't go to those things.

MR. BOWERS: Any other announcements? Okay. Thank you again to our guests, Ed Delany and Bill Batko. Thank you to staff for help with the materials. Thank you to board members for being present. And it's at 12:02 p.m. we officially adjourn today's meeting.

[Whereupon, at 12:02 p.m., the Housing Production Trust Fund Advisory Board meeting concluded.]