

**Housing Production Trust Fund
Advisory Board**

7.14.2014

Approved and Signed Meeting Highlights

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOUSING PRODUCTION TRUST FUND ADVISORY BOARD

Meeting Highlights

(For more details, see Transcript)

Monday, July 14, 2014

DC Department of Housing and Community Development (DHCD), Housing Resource Center

Board Members Present: David Bowers, Chairman; Sue Marshall; Oramenta Newsome; Jacqueline Prior; David Roodberg; and Michael Kelly, Director of DC Department of Housing and Community Development (DHCD), *ex officio*. Absent: Stanley Jackson; Jim Knight; M.Craig Pascal; and Bob Pohlman.

See *Attachment (1)* for copy of Sign-in Sheets.

Agenda Items and Actions Taken:

See *Attachment (2)* for copy of the Meeting Agenda.

1. **Call to Order and Quorum:**
Meeting was called to order by David Bowers, Chairman, at 10:07A.M. and a quorum was established.
2. **Update on Meeting Summaries:** The Board deferred consideration of prior meeting summaries to the September meeting; and requested that absent members receive copies of the draft summaries. Board members were requested to review the draft minutes for meetings in April, May and June 2014 and provide comments to Beatrix Fields, DHCD, by Friday, August 8, 2014. Chairman Bowers emphasized that the public may have access to the oral recording or the written transcript of each Board Meeting, until the meeting summaries are approved the Board.
3. **DHCD Director Comments:** Director Kelly welcomed the HPTF Board and provided the following updates:
 - A. *DHCD Sixth Annual Housing Expo and Home Show.* Director Kelly indicated that the Housing Expo was one of the most successful agency events, attracting over 2500 residents, and presenting a variety of useful workshops. The Expo demonstrated the incredible housing needs of residents; and what the city has to offer to assist those in need of housing. He thanked those present for any assistance they provided toward the success of the Expo.
 - B. *Recent Discussions with the Mayor Gray.* Director Kelly summarized recent discussions with Mayor Gray regarding the status of the Development Finance Division (DFD) pipeline. While the Mayor was pleased with DHCD's progress, one challenge noted was building the capacity of the local development community to produce the housing units needed. The Mayor requested that DHCD build local development capacity and not displace our local

Mayor requested that DHCD build local development capacity and not displace our local developers by bringing in out of state developers; as well as make recommendations regarding the parameters for marketing DHCD programs both within and outside of the District. Mr. Milton Bailey, DHCD Chief of Staff, requested that if any Board Member has a recommendation regarding how to grow the capacity of local talent or to market affordable housing programs, please email suggestions to him as soon as possible. In response to this challenge, DHCD recently issued an RFP for its first set of property dispositions combined with financing. Also, DHCD will provide an update on a new product, referred to as SAFI 2.0 (see comments below).

4. Discussion Item: Financial Leveraging Options; Leveraging Working Group Updates

- A. *Proposed Acquisition Loan Program:* Mr. Simms, DHCD Deputy Director, discussed the SAFI 2.0 proposal, a new financing tool in response to maximizing HPTF dollars and moving project deals faster through the financing/underwriting process. After several meetings with various stakeholders, it was concluded that HPTF funds should be leveraged with opportunities within the lending community to provide acquisition and predevelopment dollars. Some salient features of the draft DHCD Acquisition Loan Program (ALP) are:
- All DHCD acquisition and predevelopment funding for affordable housing will flow through ALP. DHCD will no longer make direct acquisition loans for affordable housing. However, permanent development funding will continue to be awarded through DHCD's existing combined Request for Proposal (RFP) process.
 - It is intended that ALP will make available at least \$100 million in private and public capital to finance acquisition and predevelopment for affordable housing within the District of Columbia.
 - The ALP will be flexible enough to serve a variety of project types and sizes, accommodating tenant opportunities to purchase and the District's opportunity to purchase, traditional SAFI applicants, and permanent supportive housing projects.
 - "Designated Lenders", selected by a competitive RFP process, could bring in a "Participant Lender" and would determine the parameters of their relative loss and repayment positions; and each Designated Lender would establish its own credit enhancement. ALP is intended to leverage the capacity of private lenders to underwrite the risk of acquisition loans.
 - DHCD will designate basic parameters for what Designated Lenders shall include in their underwriting process; thereby providing greater transparency about standards for public affordable housing funding.
 - Designated Lenders will work with permanent lenders early in the lending process to accurately size the private permanent debt the project can support. Projection of the total permanent development subsidy will be made at the time of acquisition to limit unexpected permanent development subsidy needs. Acquisition loans will be made only for projects that have a high likelihood to be able to secure the necessary public and private permanent financing based on established underwriting parameters or permanent private and public funding.

- The term of the loan would be up to three years. Designated Lenders may charge their usual fees for loan applications and closings, but these fees may not exceed 2% of the loan amount.
- ALP loan packages will be submitted to DHCD for a 10-day review. These loans will contain affordability covenants and must meet income targeting requirements of the HPTF statutes.
- The maximum loan-to-value (LTV) ratio of the project loan to the appraised value of the acquired real property is 120% for non-profits and 95% for for-profit developers.

See *Attachment (3)*.

B. *Proposed RFP for Designated Lenders.* DHCD anticipates issuing an RFP sometime in the Fall 2014 for Designated Lenders to be selected under the ALP. At this time, DHCD will pledge \$25 million for this program. Further, DHCD is trying to provide a credit enhancement in the form of either a loan loss reserve or an opportunity for lenders to mix DHCD capital with their capital to bring the costs down and move projects more quickly, especially where there are on-going capital expenses (e.g., acquisition of occupied buildings). DHCD has proposed taking 25% of the top loss and encouraged risk-sharing with more than one lender. Initially, Participating Lenders would have five years to deploy the capital, and then the Department will revisit the initial investment process, before extending or increasing its investment. Mr. Kelly advised that this roll-out of the draft ALP is “hot off the press” and it is anticipated that the program will be implemented in the Fall, with a series of workshops and opportunities to discuss with stakeholders.

C. *Board Member Questions re ALP:* Mr. Kelly and Mr. Simms provided the following comments and responses to Board Member questions:

- 1) *Three Year Term, is there an option with this term?* Mr. Simms advised that there is the ability to extend for another year.
- 2) *Explain how the private sector will contribute \$100 million?* Mr. Simms advised that one of the goals of the RFP is that the District is seeking to leverage a fund up to \$100 million and any lender interested in participating would respond and indicated how much it could contribute. From earlier conversations with lenders, some lenders could easily provide \$75 million to \$100 million individually.
- 3) *After the initial pledge of \$25 million, how will future HPTF allocations be determined for the ALP?* Mr. Simms advised that this is to be determined. It is important that the funds be lent and repaid to recycle available dollars. It is anticipated that the upfront discussions regarding permanent funding should assist in quick turn-around in repayment of funds.
- 4) *What is the process for developers to access the fund, will they go to the lenders?* Mr. Simms advised that like the SAFI program, developers will go to Designated Lenders. The difference between SAFI and the ALP is that both for-profits and non-profits would go to lenders; whereas under SAFI, for-profits could only participate as a 49% partner.

- 5) *Whether the Department could provide a matrix of what items the Department would fund from a permanent subsidy standpoint, as well as a projected per unit cost?* Mr. Simms indicated the Department is reviewing these issues and the various types of transactions. It is still important that DHCD reaches the goals of funding 30% AMI and below units as well as funding permanent supportive housing projects. DHCD will provide some general parameters in terms of what the agency wants to fund. Chairman Bowers suggested the Board consider the per-unit subsidy costs that it may be comfortable with given the high costs of living in the city and the fact that there is limited pipeline to serve the extremely low and very low income households.
- 6) *Will there be a formal process in future NOFAs to give special points for projects with ALP loans that seek permanent subsidy or permanent construction funding?* Mr. Kelly indicated there would be a formal process, but the agency still needs to think through the mechanics.
- 7) *Clarify why projects that meet ALP review would compete in an NOFA as opposed to serving as a ready pipeline for permanent financing?* Both Mr. Simms and Director Kelly indicated that the NOFA would be open to all and that there would be consideration of those who had gone through the ALP review process. These projects would be more “shovel- ready” for financing. However, for example, TOPA projects may create a bigger challenge after acquisition. Mr. Simms agreed that if projects get funded under the ALP, they would indeed have an opportunity to come in through a subsequent NOFA, and the Department would consider funding ALF projects outside of the NOFA.

D. **Board Recommendation.** The Board, by consent, recommended that the Department consider having additional points in future NOFAs for projects that receive funding under the DHCD Acquisition Loan Program.

5. Discussion Item: Demand Side Leveraging Dollars for Permanent Supportive Housing, Social Services and Rent Subsidies

Board Member Marshall indicated that as a part of continuing the conversation about demand side leveraging, there is a need to better coordinate resources. She introduced representatives from four agencies under the purview of the Deputy Mayor BB Otero, Deputy Mayor for Health and Human Services. The demand side focuses on the end users of the products coming from the affordable housing pipeline. The four representatives were requested to discuss leveraging possibilities within their respective agency portfolios, especially as it related to funds made available in prior DHCD consolidated RFPs or used in the past with the same focuses.

Highlights of these presentations and questions asked by the Board are as follows:

A. Presentation by DC Department of Behavioral Health (DBH): Brandi Gladden, Acting Housing Director.

- 1) DBH serves individuals in DC who have a diagnosed mental illness and/or who are struggling with substance abuse and recovery. Given the difficulties of the populations DBH serves and the need for affordable housing with services, DBH is seeking the maximum number of units from its monetary investments in the consolidated DHCD RFP. Housing is a part of the recovery plans for many of its clients.
- 2) DBH has provided over \$20 million since the beginning of its collaboration with DHCD; and the housing program within DBH this year has funded \$7.9 million in rental subsidies. In addition, DBH administers a small HUD Shelter Plus Care grant.

B. Presentation by the Department of Human Services (DHS): Nikol Nabors-Jackson, Chief Operating Officer; and Dallas Williams, Deputy Administrator for the Family Services Administration (overseeing the permanent supportive housing program).

- 1) There are many programs within DHS, but Ms. Nabors-Jackson indicated that the best return on investment is when DHS is able to house and subsidize a chronically homeless person, who is very vulnerable; and when finally housed, the person is able to stay in his/her housing and not be a drain on the medical system, the emergency rooms and all of the other places where the money for that customer would otherwise go. The FY 14 permanent supportive housing budget was \$28.3 million, and the FY15 budget will be \$34.7 million, with a majority of the funds going to rental subsidies, paid through The Community Partnership for the Prevention of Homelessness (The Community Partnership), for housing individuals and families. Of the increase in FY 15, \$4.6 million is for homeless veterans.
- 2) The DHCD consolidated RFP gives DHS an opportunity to leverage its dollars. In the FY 13 RFP, DHS invested \$1.75 million for the social services component to fund case management services. In the FY 14 RFP, DHS invested \$2.1 million for social services. It is anticipated that DHS will continue investing in the RFP since the social services component of the bricks and mortar is what keeps people in their units. DHS seeks other opportunities to leverage its dollars to create more affordable units for the population it services.

C. Presentation by the Department of Health (DOH): Michael Kharfen, Senior Deputy Director.

- 1) DOH administers, among many programs, the Housing Opportunities for People with AIDS program (HOPWA), a \$12.5 million HUD grant shared with the region, of which the District is the administrative agent. Utilizing technical assistance from HUD, DOH is working to better leverage its resources. Currently, it supports 350 households with tenant-based rental assistance for persons living with HIV/AIDS. DOH also provides

short-term assistance for those who may need just a payment in order to prevent homelessness, which impacts 220 households per year.

- 2) DOH also funds a number of community based providers for transitional housing and emergency housing. The emergency housing is for 90 days and the transitional housing is for two years.
- 3) It also manages a small Shelter Plus Care program, which is for those who are chronically homeless, living with HIV. This assistance is both tenant and congregate-based assistance.
- 4) In FY 2013, DOH contributed \$2.1 million in capital dollars to the DHCD consolidated RFP, and in FY 2014, it contributed \$1.2 million. DOH currently has a waiting list of approximately 1100-1200 people seeking assistance. Based on a turn-over of 10-12 persons per year, it has an unrealistic 100-year waiting list. Thus, through technical assistance, DOH is looking to redesign its programs and orientation. Its clients are living longer with HIV/AIDS and have been on tenant assistance for up to 15 years. Then as the clients age, they have other needs along the housing continuum (behavioral health or chronic conditions). Its program has not had any major policy or program change since it started in 1991.

D. Presentation by representatives of the DC Health Care Finance Administration (HCFA): Claudia Schlosberg, Acting Medicaid Director; and Leyla Sarigol, Long Term Care Administration and "Money Follows the Person Program". See Attachment (4).

- 1) The Medicaid program is a very large program in the District of Columbia, spending \$2.3 billion in FY13 for provider payments for health care and covering one of every three District residents. The range of services is varied and includes mental health care, substance abuse treatment and treatment for persons with HIV/AIDS and sexually transmitted diseases. With health care reform, Medicaid is able to provide expanded coverage to childless adults. While the Medicaid program does not really pay for housing, it does pay for nursing facility care. As a result, there is a lot of inappropriate utilization of nursing facility care as housing. There are many who do not need that level of care, but are placed in nursing care facilities coming out of hospitals or an acute care episode, who are unable to return to their homes or who have lost their homes. They stay in nursing home facilities and cannot get out because there are so few affordable housing choices and affordable accessible housing choices.
- 2) Similarly, under Medicaid, many patients stay in hospitals because either, they have no place to go or there are no accessible housing units. These unnecessary hospital costs are very costly to the Medicaid Program.
- 3) Under the Long Term Care Administration, a large part of the task is to find housing for individuals transitioning from nursing homes to the community.
- 4) Under Title II of the Americans with Disabilities Act, all government agencies are to provide services to people in the most integrated setting, which for most people is not a

nursing home. Thus HCFA is actively trying to develop programs to support people in the community, but a major barrier for HCFA is the lack of affordable accessible housing.

- 5) Through its Aging and Disability Resource Center, HCFA has collected data from screening individuals in nursing homes to determine their desire to live in the community and whether it is feasible to move them into a community-based setting. Recent screening data consistently shows that over 80 percent of the nursing facility residents who want to move to the community would need subsidized housing in order to do so (605 people out of 727). A few have housing vouchers, but vouchers do not necessarily mean there is access to housing.
- 6) Medicaid, through its waiver program, provides a subsidy payment to help pay for wrap around services at assisted living facilities. There is a great need for the creation of additional assisted living type facilities in District, especially for lower income residents. There are only three assisted living facilities that take low-income individuals.
- 7) HCFA has not been involved in the DHCD consolidated RFP process, as an independent agency previously within the Department of Health. However, HCFA provides the bulk of the funding for supportive care. It also provides waivers for the Elderly, Persons with Physical Disabilities, and Individuals with Intellectual Disabilities. HCFA is focused on how it can more appropriately finance and shift money to the community. Thus, affordable accessible housing is of importance to HCFA.

E. Questions Raised by Board Members Regarding the Presentations:

- 1) *Coordination of the many service providers for developers.* Because there are so many different sources providing supportive services, a Board Member remarked that while developers are aware of the great need for units 30% of AMI and below, many of these customers need social service assistance. Developers feel they know how many units they can produce, but they need assistance in identifying who the service providers are. It was concluded that there needs to be better communication and understanding between developers and service providers; as opposed to developers trying to figure out which source of funds provides the social services needed. A developer Board Member suggested that there needs to be a mechanism established earlier in the process as to how the partnership will operate between building the 30% AMI and below units and the needed services. Further, it was suggested that Developers want to know what clients are coming and who the service providers will be. Another Board Member added that the social services to be provided need to be identified. Board Member Marshall indicated that more conversation is needed regarding how these services operate and how to better coordinate. Similarly, The Community Partnership is assessing how to make sure that its services are more focused on housing retention rather than the traditional social services; and how to tie more of the units in the pipeline to its clients.
- 2) *Identification of the number of clients that need units at certain price points for the amount of money in RFP as well as the services that will be provided.* Chairman Bowers

requested a coordinated effort at the agency level that indicates the number of clients who need units and the price points given the service funds available. Several Board Members asked that the services to be provided be identified for the designated population and units.

- 3) *Location of Database Information.* Is there any place where a developer can go and find out the number of units needed at a certain price point, e.g., 30% and below, and the types of services needed for those units? Representatives referred the Board to the strategic plan of the Interagency Council on Homelessness (ICH), but suggested the agencies may need to review the information provided to see if the need is current; and to identify the services for permanent supportive housing (PSH). On the HIV side, there is has always been temporary housing; however, there is now a need for permanent supportive housing. DOH has no permanent supportive housing funds for persons living with HIV/AIDS. In this instance, there is a need to attach the services to the unit/place as opposed to the person. Under Medicaid, HCFA is asked to review its data to provide assistance to elderly and disabled persons who are in threat of losing their homes for financial or tax reasons. In terms of types of services, there are some base services for the special needs populations or those 30% of AMI and below.
- 4) *Residential Services for Low-Income non PSH:* What services are provided to low income people who do not need permanent supportive housing but have economic issues; how are they being helped to reach economic stability (jobs, etc.)? Examples exchanged included those in Rapid Rehousing (temporary assistance) and those at DC General. Ms. Nabors-Jackson indicated that 47% of the parents with families coming to DC General Shelter are ages 18-24 and the needs of this population are different from those needing PSH. Case management includes providing basic living skills with a focus on housing retention, along with job and credit counseling.
- 5) *Percentage of people at the 0-30% income band who need housing vs. very low income people who for whatever reason may always be at the lower income band.* Director Kelly advised that the ICH Committee completed a point in time analysis and concluded that there are 2600-2700 chronically homeless that need permanent supportive housing, of which 700-800 are families. Then there are approximately 8,000 to 9,000 that are homeless now, of which one-third would require additional supportive services.
- 6) *Coordination with DOES.* Most DHS families, in particular individuals, have signed up with DOES. There are 17,000 TANF families that have been assessed: either they are work ready, ready to be placed in a job or they have certain barriers that need to be addressed before they can seek employment. Outside of DOES, DHS funds an employment program that complements DOES services.
- 7) *How to get developers to build what is needed:* Questions asked included: Do we need housing developers who create a niche kind of housing for special needs, can we just have real estate developers who are matched to the right service providers, and are there enough, especially non-profit developers, to produce the housing that is needed for special populations? If scattered site housing is preferred, are there sufficient incentives

and resources for the for-profit developers to create the housing needed? Should the government give better incentives to the non-profit developers to build housing in which units can be set aside? Responses included: For-profit developers need to show a profit, thus an incentive may be necessary. One way to assist in turning a profit is to receive funds from the City to offset the funding the developers would obtain from traditional sources.

- 8) *Should services go with the individual or with the “bricks and mortar” project?* While it is most beneficial that services be tailored for an individual, a developer and housing manager want to have comfort that the users of the units will have the services they need. In response to what percentage of a project, financed with government funds, should be set aside for special populations to avoid all populations in one building, it was suggested that at least five (5) percent of the units should be set aside. It was concluded that five percent would hardly reach the goals needed and that a large percentage would be needed consistent with the percentage goals of the HPTF Act. It was suggested that percentage goals per project would be a big change from the way for-profit developers have operated. It was noted that there are some non-profits, such as Jubilee and THC, who provide services as well as development. In those instances, there is a triangular relationship between the government agency, e.g., DBH, a service provider agency and the developer working together to identify issues in advance before eviction or any other adverse situation. These social services are not limited to PSH occupants but are available to all tenants. It was suggested that this model works and encourages families to move up to a higher AMI band. With regard to the level of services, a hybrid of permanent supportive housing services vs. resident services should be considered.
- 9) *Review by the Council of the District of Columbia (City Council).* Mr. Kelly advised that this program does not need to be submitted to the Council for approval. It is a legislatively permissible use of funds. At this point, DHCD plans to issue an RFP in October.

Chairman Bowers thanked the government representative guests for their presentations and responses to questions. He indicated that the Board found the information extremely helpful and the Board will follow-up with Deputy Mayor Otero regarding moving forward on the issues raised.

6. Old Business

- A. *DHCD DFD Project Pipeline Database Demonstration – Expanded Features.* Mr. Chris Dickersin-Prokopp, DHCD Strategic Program Specialist, provided a follow-up to the June meeting presentation on the new Quickbase application being used to track the DHCD pipeline and provide reports to other groups, such as the permanent supportive housing subcommittee and partner agencies. He walked the Board through the steps and obstacles in the life cycle of a project in the DHCD pipeline, starting with an application, through the stages of underwriting, commitment, closing and the issuance of a loan agreement. He highlighted the various roles of the monitoring team at DHCD, from underwriting through compliance activities until the expiration of the affordability covenant (up to 40 years). Some

projects start in the Portfolio and Asset Management Division and go through the acquisition and disposition process before they are considered for financing by the Development Finance Division. Along the way, projects run into obstacles, such as: construction never begins, the need to refinance, or additional rehabilitation before 40-year affordability covenant expires. Thus, the Department sees these projects back in the pipeline multiple times. It is a challenge for the agency to keep up with all the documents over a 50-year period or the infinite life cycle of a project. While now the documents are received and stored digitally, there are still many old paper records. Thus, this master database or central repository will assist the agency in collating and analyzing data for reports to various sources and managing the information. Mr. Kelly added that the agency's reporting data is on the DHCD website.

B. *Status of HPTF statutory quarterly reports.* Mr. Oke Anyaegbunam, the DHCD HPTF Officer, indicated that the agency has had some problems in the past year reconciling the HPTF financial data. DHCD will work diligently to complete the current fiscal year reports over the next few months. Mr. Bailey added that the new database system is helping to provide the information needed for these reports.

7. DHCD: Update on the NOFA Pipeline Report, Tier One and Two Applications

A. *FY 2014 NOFA 2014, Tier One and Tier Two Update:* Mr. Simms summarized that Tier One received eight (8) applications and Tier Two received fifteen (15) applications, with a total of twenty-two (22) applications. One project applied under both Tier One and Tier Two and failed the threshold requirements both times (Parcel 42). One project has withdrawn, that was the Generations at Brightwood Park. Three projects have been to Loan Committee and approved; and two are pending with the Loan Committee. Under Tier Two, of the 15 applications received, two (2) failed to meet threshold, Parcel 42 and Metro Apartments at Congress Heights; leaving thirteen (13) Tier Two applications for consideration. Additional information has been requested of all the development teams. The agency anticipates completing its underwriting by the end of August. An independent review panel, as in past years, will be convened the first week of September, moving forward with the formal recommendations and hopefully, award announcements by the end of September. The vast majority of the Tier 2 projects involve the Housing Finance Agency. The two agencies will need to meet and prioritize the projects for funding. The goal is to obtain City Council approval by the end of the calendar year.

C. *Responses to Board Questions regarding the Update on NOFA Pipeline Report.*

1) *Of the applications received, what was the total amount requested by income band?* The applications requested \$141 million in HPTF dollars and \$10 million from other sources to produce a projected 2185 in total affordable units. Of the 2185 in affordable units, 310 were for supportive housing units, and over half the projected units would serve the 60 % AMI band. The requirements under the HPTF Act are monetary based as opposed the number of units in determining compliance with statutory percentages. Therefore, the 310 supportive housing units represent a higher dollar amount as compared to total number of units. Even so, staff advised that the dollar amount representing the lower income bands would not meet the 40% statutory spending threshold. Thus, the agency

hopes to negotiate more lower income units in its underwriting process. In the future, DHCD was asked to provide the dollar amount associated with the units, similar to what was provided last year, broken down by units and by dollars.

- 2) *DHCD proposed closings.* DHCD anticipates closing 70% of its projects by the end of the calendar year and 100% by first quarter of next year. It is projected to close 22 projects in the present quarter and to close 14 projects in the next quarter, resulting in higher than normal production quarters. Mr. Kelly attributes these increased production results to better coordination with sister agencies and internal restructuring.

8. New Business:

A. *Legal Opinion regarding Use of the HPTF Dollars for Social Service Costs.* Ms. Vonda Orders, General Counsel for DHCD, advised that under the Housing Production Trust Fund Act, it is not permissible for funds to be used for social services. In looking at the statutory uses, there are only two instances in which social services are mentioned: loans and grants to finance on-site child development facilities and maybe loans to provide housing to seniors who have special needs. These two instances involve loans or loans and grants or financing a facility as a part of a development agreement, but no provision to pay a vendor under a service contract to provide services.

B. *Requests for Next Meeting.*

Chairman Bowers noted that there would be no August meeting and made the following requests of the agency for the September 8, 2014 meeting:

- 1) A breakdown of the NOFA project units by HPTF dollar amounts within income band;
- 2) An update on the Acquisition Loan Program; and
- 3) An update on the status of the pipeline projects.

Also, Chairman Bowers requested that Board Members Marshall and Prior have an informal follow-up discuss with Deputy Mayor Otero, since she could not attend this meeting. Mr. Bailey asked both Board Members Marshall and Prior to flush out issues related to residential services as a hybrid to permanent supportive housing, and to clarify how it would work. Chairman Bowers further asked Board Members to think about some of the suggestions raised by the dialogue with the government representative guests regarding creation of a database, liaisons with developers and service providers, etc.

In addition, Chairman Bowers asked the Board members and the agency to consider ways to build local developer capacity and roles for the foundation/philanthropy community (local or national) in leveraging Trust Fund dollars and participating with the Acquisition Loan Program.

Mr. Bailey requested that if Board Members see any impediments, internal or external, as it relates to the Mayor's objective to have the funds move more broadly into the community, to develop our local talent, or to market to other resources across the nation, please share those thoughts with him. With regard to inviting new participation from outside resources, identify

some of the requirements the District should have for that participation, e.g., establishing headquarters in DC, participating with both non-profit and for-profit developers, paying taxes in DC, etc. He indicated that DHCD wants to inform the Mayor what is needed to stimulate local participation in the funding of affordable housing.

Director Kelly indicated that DHCD's Property Acquisition and Disposition Division (PADD) began its solicitation process and responses are expected by October. Chairman Bowers suggested a summary of those activities would be another agenda item in the future.

C. *Housing Needs Assessment Status.* Mr. Bailey advised that Phase One of the Assessment was completed and all Board Members received a copy. He indicated that if the Board has any comments, please forward to him. Phase Two of the Assessment is due by October. As a part of Phase Two, there is a developer survey or questionnaire which Board Members should have received and hopefully completed. Mr. Bailey advised that the final report will be placed on the websites of both Deputy Mayors for Planning and Economic Development and for Health and Human Services.

9. Public Comments. The members of the public in the audience were invited to provide comments. Two persons provided comments. A summary of the comments are as follows:

A. *Leona Redmond, a private citizen and member of Seniors Organized for Solutions Now.* Ms. Redmond raised three issues. First, she noted from her experience as both a recipient of Medicaid, a former resident of a homeless shelter, and as a tax credit professional, she recommended to the Department of Mental Health at the time the RFP was issued, that there should be sustained affordability in the homeless community through the establishment of special limited cooperatives that tie into an agreement between coop members and DHCD or HFA. Thus, unlike the housing voucher, when a person dies, his or her coop unit would go to another homeless person. For example, she noted instead of her housing voucher paying rent at the Wesley Senior Apartments, she could be paying a subscription fee into a coop. Then, the voucher could be used to own a unit and help with maintenance of the cooperative. Secondly, Ms. Redmond asked if there is an opportunity for citizen participation in the process. She was advised that at the HPTF Advisory Board meetings, she can make comments during the Public Comment agenda item; or she can send her concerns to "Ask the Director" on the DHCD website, and note in the subject line "for the HPTF Board". Thirdly, Ms. Redmond expressed concern that an older project financed over 20-30 years ago was coming back to the agency for additional financing, but the project/developer had not done what it said it would do. She was concerned that it was not held accountable and that it would receive additional financing. The Department advised that there are a few "bad actors" and when brought to the attention of the agency, staff will review to ensure they are operating in a manner consistent with existing covenants. Where a project is operating outside of imposed covenants, DHCD will take sanctions against them. Mr. Bailey requested that Ms. Redmond contact him.

B. *Hank Brothers, an attorney with Holland and Knight.* Mr. Brothers asked what bi-annual report Mr. Bailey referenced. Mr. Bailey indicated that the Housing Needs Assessment Report, presently under contract, should be performed every two years.

10. Announcements.

Tribute to Robert "Bob" Moore. The Board noticed the passing of Mr. Moore and provided information regarding his funeral. Mr. Moore's legacy was highlighted and the role he served as an icon in the housing industry.

11. Adjournment: 12:28 P.M.

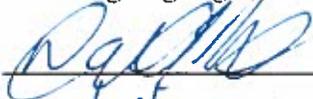
Attachments: (Handouts or PowerPoint Slides)

- *Attachment (1):* Copy of Sign-In Sheet.
- *Attachment (2):* Agenda, dated 7.14.14.
- *Attachment (3):* Draft Summary of DHCD Acquisition Loan Program, dated 7.14.14.
- *Attachment (4):* Department of Health Care Finance Summary: Demand Side Leveraging Dollars – Permanent Supportive Housing, Social Services and Rent Subsidies, dated 7.14.14.
- *Attachment (5):* Copy of Draft Meeting Highlights for April 7, 2014, with attachments.
- *Attachment (6):* Copy of Draft Meeting Highlights for May 5, 2014, with attachments.
- *Attachment (7):* Copy of Draft Meeting Highlights for June 2, 2014, with attachments.

Submitted By: Beatrix Fields, Senior Legislative Specialist, DHCD
(Any corrections should be forward to Beatrix.fields@dc.gov)

**The audio recording of this meeting may be heard by contacting Pamela Hillsman, Senior Community Resource Specialist, at Pamela.hillsman@dc.gov or calling (202) 442-7200.

Approval of Meeting Highlights. *The Board unanimously approved these Meeting Highlights at its September 8, 2014 meeting, with leave for the staff to make any technical amendments. After review by the Chairman, the final Meeting Highlights shall be posted on the DHC'D website.*

Final Approval:  **(David Bowers, Chairman)**
9/8/2014 **(Date)**

List of Attachments: (Handouts or PowerPoint Slides)

Attachment (1): Copy of Sign-In Sheet.

Attachment (2): Agenda, dated 7.14.14.

Attachment (3): Draft Summary of DHCD Acquisition Loan Program, dated 7.14.14.

Attachment (4): Department of Health Care Finance Summary: Demand Side Leveraging Dollars – Permanent Supportive Housing, Social Services and Rent Subsidies, dated 7.14.14.

HPTF Advisory Board Meeting Highlights 7.14.2014

ATTACHMENT (1)

Government of the District of Columbia
 Housing Production Trust Fund Advisory Board

Monday, July 14, 2014; 10:00 A.M.

Location: DHCD, Housing Resource Center
 1800 Martin Luther King, Jr., Ave., SE, Washington, DC 20020

SIGN-IN SHEET

NAME & TITLE	ORGANIZATION
1. ADAMAS WILLIAMS DHS Deputy Director	DHS
2. NIKOL NOLAN JACOBSON - Chief Operating Officer	DHS
3. Allison Lueder	DC HFA
4. Hank Brothers	HFK
5. Ann Marie Neuse	LISC
6. MB Seelinger	DHCD
7.	
8. Elenora Skyleskyj	DC Health Care Finance Enterprise Community Partners
9. David Bowers	DHCD
10. MICHAEL KAY	DOH HAHSA
11. Michael Kharfen	DC HFA
12. Alison Smith	DC HFA

Government of the District of Columbia
Housing Production Trust Fund Advisory Board

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1800 Martin Luther King, Jr., Ave., SE, Washington, DC 20020

SIGN-IN SHEET

	NAME & TITLE	ORGANIZATION
13.	OKE ANITA GIBLIN	DHCD
14.	Brend V Gladden	DBH
15.	Lee Hoyt	DMHHS
16.	Vonda J. Orders	OAC/DHCD
17.	Violet J HARRIS	WHRC Wesley House Resident Council
18.	Leona Redmond	Seniors Organized For Solutions Now!
19.	Nathan Simms	Deputy Director, DHCD
20.	Beatrice Fields	Sr. Legislative Specialist
21.	Milton Bailey	Chief of Staff, DHCD
22.	Chris Dickersin-Prokopp	Strategic Program Specialist, DHCD
23.		
24.		

HPIT- Adv Ppt Mtg
7/14/14

SIGN-IN SHEET

PLEASE PRINT

Milton Bailey	(202) 802-7050	DHCD	milton.bailey@dc.gov
Jacqueline Parker	(202) 223-3100	(Capacity Fraudster)	jpark@capacityfranklin.com
Drew Reedley	202 659-0220	to... P...-3	reedley@... .gov
Armenta Newsome	202-739-9267	LFSC	armenta@newsomeelise.org
Sue Marshall	202-54352918	TCI'	Sue.marshall@... .org
Adam Kent	202-739-9283	LFSC	akent@lisc.org
Wallace Jebuch		DHCD	wallace.jebuch@dc.gov
Phelan Sanders	202-422-8252	DHCD	Phelansanders@gmail.com phelan.sanders.dc.gov
Jennifer Skow		DHCD	jennifer.skow@dc.gov

HPTF Advisory Board Meeting Highlights 7.14.2014

ATTACHMENT (2)

Government of the District of Columbia
Housing Production Trust Fund Advisory Board

Monday, July 14, 2014; 10:00 A.M. – 12:00 P.M.

**Location: DHCD, Housing Resource Center, First Floor
1800 Martin Luther King, Jr., Ave., SE, Washington, DC 20020**

Meeting Agenda

1. Call to Order & Establish Quorum: David Bowers, Chairman
2. Approval of Prior Meeting Summaries
3. *Discussion Item*: Financial Leveraging Options
 - a. Leveraging Workgroup Updates
4. *Discussion Item*: Demand Side Leveraging Dollars for Permanent Supportive Housing, Social Services and Rent Subsidies

Presenters: Office of Deputy Mayor for Health and Human Services

- Department of Behavioral Health (DBH): Brandi Gladden, Acting Housing Director
- Department of Health (DOH): Michael Kharfen, Senior Deputy Director, HIV/AIDS, Hepatitis, STD & TB Administration
- Department of Human Services (DHS): Nikol Nabors-Jackson, Chief Operating Officer
- Department of Health Care Finance(DHCF): Claudia Schlosberg, Acting Senior Deputy

5. DHCD: Update on the NOFA Pipeline Report, Tier One and Two Applications
6. Old Business
 - a. DHCD: DFD Project Pipeline Database Demonstration – Expanded Features
7. New Business
 - a. Legal Opinion Regarding Use of HPTF Dollars for Social Service Costs
8. Announcements
9. Public Comments
10. Adjournment

HPTF Advisory Board Meeting Highlights 7.14.2014

ATTACHMENT (3)

as of
7.14.14

Summary of DHCD Acquisition Loan Program

Purpose & Scope

All DHCD funding for acquisition and predevelopment will flow through the Acquisition Loan Program (ALP). DHCD will no longer make direct acquisition loans for affordable housing. The ALP is intended to make available at least \$100,000,000 in private and public capital to finance acquisition and predevelopment for affordable housing within the District of Columbia. The ALP will be flexible enough to serve a variety of project types and sizes (TOPA, DOPA, traditional SAFI, PSH, etc.).

As part of the formation of the ALP DHCD will take steps to provide greater transparency about standards for permanent public funding and the affordable housing development pipeline.

Designated Lenders will work with permanent lenders early in the lending process to accurately size the private permanent debt the project can support. Projection of the total permanent development subsidy will be made at the time of acquisition to limit unexpected permanent development subsidy needs. Acquisition loans will be made only for projects that are highly likely to be able to secure the necessary public and private permanent financing based on established underwriting parameters for permanent private and public funding.

Selection Process

DHCD will conduct a competitive RFQ process to select 'Designated Lenders' who have the capacity to leverage and deploy private capital as acquisition loans. Applicants to be Designated Lenders will detail their strategy for: 1) deploying funding promptly; 2) leveraging public funding awarded through the RFQ; 3) underwriting project-level permanent financing needs; and 4) collaboration with Participant Lenders. Selected Designated Lenders will retain the flexibility to add additional Participant Lenders after they are selected and adjust how they partner with Participant Lenders.

Overview of Acquisition Loan Program

Each Designated Lender will be awarded a set amount of public funds to be used as a 'Credit Enhancement'. The Credit Enhancement will take a top loss position in ALP loans originated by the Designated Lender within the terms established for ALP. Each Designated Lender will have their own respective Credit Enhancement, as opposed to a central fund that all Designated Lenders draw on.

When originating a loan a Designated Lender may bring in a second lender, 'Participant Lender,' either through selling a participation in the acquisition loan or co-lending with a 1st and 2nd trust loan. The Designated Lender and the Participant Lender will set the parameters of their relative loss and repayment positions. For example, the Participant Lender might take the 1st or 2nd trust position based on the terms set with the Designated Lender. The parameters established between the Designated and Participant Lender do not change the top loss position of the Credit Enhancement.

The credit enhancement will cover losses on principal equaling up to the first 25% of the outstanding of the loan. Losses beyond 25% will be covered by the Designated Lender, and the Participant Lender based on their inter-creditor agreement.

Two, or more, Designated Lenders may choose to co-lend and draw upon both of their respective credit enhancements. The amount of the loan that is covered remains limited at 25% if two Designated Lenders co-lend.

Designated Lenders will have a 5 year period within which to originate acquisition loans. Funds serving as credit enhancements for outstanding loans at year 5 will remain with the Designated Lender until the project loan term is reached.

DHCD will have the ability to reduce or completely recapture the Credit Enhancement to a Designated Lender based on the performance of their acquisition loans or underutilization of the Credit Enhancement.

The Credit Enhancement awarded by DHCD to Designated Lenders are not intended to be placed into projects as permanent development subsidy. The awarded funds are intended to recycle to credit enhance new acquisition loans as previous loans are repaid. Permanent development funding will continue to be awarded through DHCD's existing combined RFP process.

Acquisition Loan Program Operations

Designated Lenders shall submit ALP Loan Packets to DHCD for approval before originating an ALP loan. ALP Loan Packets shall consist of basic description of the proposed loan, borrower and project. DHCD will provide an ALP Loan Packet checklist to all Designated Lenders. DHCD shall have ten (10) business days from the date of receipt of each ALP Loan Packet to either approve or reject the specific ALP Loan Packet. In the event that DHCD does not reject a specific ALP Loan Packet within the ten (10) day timeframe, then the ALP Loan shall be considered approved.

The funds awarded to Designated Lenders as Credit Enhancement shall be deposited into a segregated account, bearing interest. The interest on idle Credit Enhancement funds shall be remitted to periodically to the District.

As a condition for closing each ALP loan an affordability covenant will be entered into between DHCD, the Designated Lender and the borrower. Designated Lenders will be responsible for meeting income targeting requirements set for the Housing Production Trust Fund statutes.

Project Loans

ALP loans may include predevelopment and acquisition costs for rental or ownership affordable housing. This includes land to be used for new construction, land improved with buildings to be rehabilitated or converted to residential use or developments at risk of becoming unaffordable. All reasonable third-party pre-development costs including architectural and engineering studies, environmental

assessment, historic and development consultants, application and financing fees, schematic or other drawings, option payments, legal fees. Funds may not be used for staff costs or prepayment of developer fee.

ALP loans may be used to make limited repairs to stabilize a property by addressing health, safety and immediate concerns. Examples of this type of stabilization might be repairs to a unit that has been damaged by fire, or the replacement of a furnace.

If a stabilization repairs will be included in an ALP loan the scope of health, safety and immediate issues must be documented through a physical needs assessment report conducted by a third party. The physical needs assessment report and the scope of the proposed repairs must be included in the packet submitted by the Designated Lender to DHCD for approval. For properties under 5 units a home inspection or alternative 3rd party report may be substituted for the physical needs assessment report.

For stabilization repairs that will exceed 20% of the value of the property the Designated Lender must receive written approval from DHCD for the scope of the stabilization repairs before moving forward with the ALP Loan.

For mixed-use or mixed income projects outside of Housing Production Trust Fund (HPTF) uses development costs must be prorated, with the DHCD guarantee covering only the project portion within HPTF limits. All acquisition loans must comply with the Housing Production Trust Fund's household income requirements.

ALP loans may be originated for projects anywhere within the District of Columbia.

The maximum loan-to-value (LTV) of the project loan to the appraised value of the acquired real property and existing improvements, including capitalized interest, is:

- 120% for nonprofit developers; and
- 95% for for-profit developers.

A joint venture will be classified as for-profit or nonprofit based on the classification of the party that has majority ownership.

ALP loans can be made for terms up to 3 years with the ability to extend them for another year. Interest rates and fees will be established by each Designated Lender, subject to limits set by DHCD. Designated Lenders are encouraged to compete with each other on interest rates and fees.

Underwriting Parameters

ALP is intended to leverage the capacity of private lenders to underwrite the risk of acquisition loans. Designated Lenders will have the flexibility to apply their underwriting standards to ALP loans they originate. Basic parameters will be established by DHCD for what Designated Lenders shall include in their underwriting process. Parameters will include: 1) Appraisal; 2) Phase I Environmental Review; 3) Physical Needs Assessment; 4) Operating Proforma; 5) Permanent Sources and other critical factors.

Within those parameters Designated Lenders will retain the flexibility to underwrite to their own set of standards.

DHCD will provide guidelines for the level of permanent development subsidy it will typically award to strong affordable housing projects. The guidelines will enable Designated Lenders to assess whether a project is within the guidelines and thus likely to receive the permanent subsidy (lower risk) or will require DHCD to go beyond the guidelines (higher risk). The guidelines will not be a guarantee of public permanent subsidy and projects will still go through DHCD procedures to have permanent development subsidy awarded to them.

DHCD will maintain a list of projects that receive ALP loans, the list will include a detailed project description. The list of projects that receive ALP loans will help Designated Lenders, permanent debt lenders and DHCD assess the supply of permanent public subsidy in comparison to the pipeline of projects.

Developer Eligibility

For-profit and nonprofit private developers in good standing in D.C., and government entities created to develop affordable housing, are eligible to receive acquisition loans. Joint-ventures will be classified as for-profit or nonprofit based on the nature of the partner who has majority interest.

Designated & Participant Lenders

Any lending institution that is in good standing with the District of Columbia may apply to be a Designated Lender – e.g. banks, CDFIs, credit unions, mortgage banking companies, etc. Similarly, any lending institution in good standing with the District of Columbia may serve as a Participant Lender.

Rates and Fees

If a Designated Lender includes the credit enhancement as part of an ALP loan an interest rate of 150 basis may be charged on this portion of the portion of the loan funded with the credit enhancement. Designated Lenders may charge interest on private capital included in an ALP loan. The interest rate on private capital will be informed by the cost of capital and are expected to be equal or lower than similar acquisition loans originated by the Designated Lender outside of ALP.

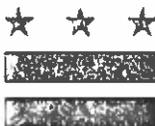
The Designated Lender may charge its usual fees for loan applications and closings with shall not exceed: 2% of the loan amount.

2/15/14

HPTF Advisory Board Meeting Highlights 7.14.2014

ATTACHMENT (4)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health Care Finance



DC Department of Housing & Community Development
Housing Production Trust Fund Advisory Meeting
July 14, 2014

Demand Side Leveraging Dollars- Permanent Supportive Housing, Social Services and Rent Subsidies

Department of Health Care Finance (DHCF)

Agency Overview

- Provides health insurance to 1 out of 3 DC residents

- In FY13, spent \$2.3 billion on provider payments, contracts & overhead
 - Primary & Acute Care = 57% (\$1.3 B)
 - 57% of \$1.3 B = Managed Care (\$747.9 million)

 - Long Term Care = 34% (\$774.5 million)

 - Mental Health = 4% (\$93.4 million)

- Federal government matches 70% of funding for services

Residential & Housing Services to Date

- People who are Elderly &/or have Physical Disabilities
 - Home & Community-Based Services Waiver
 - Assisted Living-Only 3 under Medicaid in DC
 - New DC Housing Authority Pilot Project-Marigold-15 units

 - Home & Community-Based Services Waiver & Medicaid State Plan
 - Personal Care Aide Services (34% of LTC @ \$262.4 million-10,000 people)

 - Long Term Care Facility
 - Nursing Facilities (29% of LTC @ \$227.4 million- about 3,000 people)

- People with Intellectual & Developmental Disabilities (I/DD)
 - Home & Community-Based Services Waiver (20% of LTC @ \$158.1 million)

- Supported Living
- Host Home
- Long Term Care Facility
 - Intermediate Care Facilities for People with I/DD
- LTC Facility to HCBS Transition Program-Money Follows the Person (MFP) Demonstration
 - Administration of approximately 75 Long Term Care/MFP Housing Choice Vouchers set-aside by former Mayor Fenty
 - Data on Housing Needs & Availability
 - ***Screening data through early 2014 consistently shows that over 80% of nursing facility residents who want to move to the community need subsidized housing to do so (605 people of 727 screened)***
 - This problem is magnified by the shortage of available, affordable and environmentally accessible units in the District. The MFP Demonstration Project's housing identification data* shows that of 49 affordable rental properties** in DC contacted in a 30-day period from January to February 2014, only 26.5% (13) have available units of any type. The available units are often not accessible to people with physical disabilities. This means that it is challenging to find affordable and accessible housing for people with physical disabilities even when rental assistance is available.

Possible Use of DHCF Funding for FY 15 Consolidated RFP

- Optional State Supplement-Covers room & board in an assisted living/community residential facility
- MFP Rebalancing Funds- Up to \$200,000 that supports the transition of people in long term care facilities to homes in the community

**Data collected by DHCF contractor for MFP Transition Services, VCare, LLC in housing searches for MFP participants transitioning from nursing facilities.*

***Affordable rental properties meet the following criteria: a) rent rates at or below the DC Housing Authority's rent reasonable rates that also accept Housing Choice Vouchers; b) categorized as Affordable Dwelling Units; or c) are HUD-subsidized units.*