GOVERNMENT OF THE DISTRICT OF COLUMBIA

HOUSING PRODUCTION TRUST FUND ADVISORY BOARD

Meeting Highlights

(For more details, see Transcript)

Monday, October 6, 2014

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

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

Stakeholder Participants: Approximately twenty (20) stakeholder participants from the Lending and Development community were invited to participate in the Dialogue regarding the Proposed DHCD Acquisition Loan Fund. In addition, there were over twenty (20) additional audience participants, including representatives from the DC Housing Authority, the DC Housing Finance Agency, DHCD staff and public members. See ***Attachment (1)*** for a List of Shareholder Participants by Industry Designation.

Agenda Items and Actions Taken:

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

1. Call to Order and Quorum

   Meeting was called to order by David Bowers, Chairman, at 10:06 A.M., and a quorum was established.

2. Remarks from the Director, DC Department of Housing and Community Development.

   Director Michael Kelly welcomed the Board and members of the public to DHCD and its technologically enhanced Housing Resource Center. He highlighted several key events for stakeholders:

   A. *Mayor's Press Conference to Report on Progress to Reach the 10x20 Affordable Housing Goal*: Wednesday, October 8, 2014, at 10:30 AM, Four Points, 2255 Martin Luther King, Jr., Ave., SE. All Board members were invited.

   B. *The Property Acquisition and Disposition Division is accepting applications for its most recent RFP.* DHCD announced the release of six solicitations for offers (SFOs) for 27 blighted properties and vacant lots throughout DC. Through the SFO process, DHCD is seeking public offers to build development projects that promote vibrant, walk-able, mixed use and income neighborhoods. The deadline for submitting proposal applications is 10/24/14.

3. *Discussion Item:* Proposed DHCD Acquisition Loan Program: "Stakeholder Dialogue between Lenders and Developers". The discussion was led by Chairman David Bowers, and participants included invited guest lenders and developers.

A. *Overview of the Draft Acquisition Loan Program (ALP).* Mr. Nathan Simms, DHCD Deputy Director, provided an overview of DHCD's new leveraging tool. See ***Attachment (3).***

a. *ALP is a new source of funding for acquisition and predevelopment.* It will provide financing to developers to expand the pipeline of projects ready to respond to the combined RFP. Land acquisition is at a premium in the competitive real estate market, it goes fast, and it is costly; thus the proposed ALP is a tool to assist in acquiring land for affordable housing projects.

b. *DHCD Affordable Housing Finance is in three phases:* (1) project identification (including developer equity, project identification loans, philanthropic grant funding, etc.); (2) Acquisition and Predevelopment, in which ALP and SAFI provide financing to acquire sites and move through predevelopment; and (3) Construction & Permanent Financing, in which the Combined RFP provides the portion of the permanent financing that cannot be covered by private sources.

c. *ALP Objectives.* DHCD proposes to: expand acquisition and predevelopment funding by $100 million; provide greater flexibility for lenders and developers to serve a wide range of projects (TOPA, PSH, etc.); leverage the underwriting experience of private lenders; and support the formation of projects in order to grow the pipeline of projects ready for the Combined RFP.

d. *Modeled after SAFI, with a few improvements.* The ALP was modeled after an existing DHCD SAFI program, but developed to stand on its own. Improvements offered under ALP include: Property repairs up to 20% of property value are eligible; for-profit developers are eligible (max 95% LTV); new lenders can choose to participate; financing for larger projects, with no cap on credit enhancement; and expanded ability of lenders to co-lend in order to share risk. DHCD is committed to ensuring a transparent process and will provide a list of DHCD underwriting standards and requirements.

e. *Combined RFP.* Construction and Permanent Financing will be provided through the RFP. In its commitment to be transparent about the types of projects that are likely to be selected and the level of funding to be awarded, DHCD will begin sharing internal underwriting standards, and will publish historic data about the levels of permanent public funding it has provided.

f. *DHCD Underwriting Standards.* DHCD's underwriting standards include the following:

i. *Minimum upfront equity*- 5% of TDC, can be waived for nonprofit developers; $500/unit for TOPA projects.

ii. *Maximum LTV*- 100% (up to 125% for special needs, TOPA & redevelopment area projects)

iii. *Minimum Debt Service Coverage*- 115 to 120.

iv. *Pro Forma Trending*- Revenue increases of 2% annually, expense increases of 3% annually (Special needs should not trend income without specific justification based on revenue source).

v. *Hard Cost Contingency*- New Construction: 5-10%; Rehab: 8-15%.

vi. *Soft Cost Contingency*- 5-8% of soft costs.

vii. *Max Loan Term Acquisition/Construction*- 24 months, with interest accruing and all payments deferred.

viii. *Max Loan Term Permanent*- Up to 40 years.

ix. *Amortization*- None, all loans will be cash flow only.

x. *Max Interest Only Period*- Interest will accrue beginning at loan origination, payable prior to principal payments with sufficient cash flow.

xi. *Interest Rate*- 0% for special needs, TOPA & non-profit projects; 0-3% otherwise, lower if the project does not show sufficient cash flow to cover interest costs.

xii. *Minimum % of Affordable Units/project*- 100% of DHCD fund will be used exclusively for affordable units.

xiii. *Minimum Reserve Requirement*- Operating Reserves: 3-6 months operating expense (per ESIC), prefunded and maintained; Replacement Reserves: $300/unit annual new construction (per DCHFA), $350/unit for rehab, pre-funded.

xiv. *Maximum Developer's fee allowable*- 10-15%, with any amount higher than 10% requiring deferral of at least 20% of fees.

xv. *Completion of Guarantee Required*- All DHCD loans not part of the LIHTC structures will be recourse to the developer until construction completion and project stabilization (to provide DHCD with leverage if needed).

g. *Review of Historic HPTF Awards*. The per unit subsidy for HPTF projects: A sample of 76 HPTF Projects from 2011-2014 shows HPTF investment of $117,612 for 30% AMI, $88,818 for 50% AMI, and $46,391 for 80% AMI. These subsidies only reflect HPTF investment, no tax credit equity or sources.

h. *ALP Next Steps*. Looking to a winter ALP RFA release date, DHCD will work with stakeholders to set guidelines on the level of permanent public funding for different project types; DHCD will continue to share information about underwriting standards for the combined RFP; DHCD will publish historic data on public funding levels for the combined RFP.

i. DHCD clarified that the underwriting standards discussed above are for permanent gap financing. It is anticipated that if you know DHCD's standards for permanent financing, it will assist developers and lenders in structuring project proposals for financing from the beginning.

B. Issues Raised During the Dialogue. Below is a brief summary of the issues raised by invited Stakeholder developers and lenders, Board members, and members of the public/audience along with responses by Mr. Simms, Director Kelly and Chairman Bowers.

1) *DHCD's financial commitment toward ALP.* A question raised was whether the $100 million was a 100% total commitment from DHCD or a portion of funds DHCD hopes to leverage. Mr. Simms indicated that DHCD is proposing to allocate $25 million toward this program, with hopes of leveraging funds in a 3:1 ratio to reach $100 million investment and to decrease the cost of capital to borrowers for affordable housing. After the first year of ALP, DHCD will revisit whether more money should flow to the program participating lenders.

2) *Requirement for Minimum 5% Equity in special needs projects.* Since there is a higher loan to value ratio for special needs projects, is the 5% equity needed for those projects? Mr. Simms advised that the DHCD is looking for some equity in all deals.

3) *Purchases without final project use.* In those instances where there are several project scenarios for the land to be acquired (e.g., 30 units of family or 50-60units of efficiencies), the developer would need to provide a reasonable conceptual plan and within three years, determine what would be the best structure.

4) *Impact of Property Repairs on the LTV Ratio.* For for-profit developers who are looking to leverage 95%, will the 20 percent utilized for property repairs boast the LTV ratio up to 115% or down to 75%? Mr. Simms advised that this concern would need to be reviewed.

5) *Underwriting Requirements for Seasoned Deals.* For "seasoned deals", which are projects initiated 15-20 years ago with DHCD invested/debt funds, will they be treated as new deals? Mr. Simms advised that the developer and the lender will need to assess on a case-by-case basis how the old debt can be repositioned or treated.

6) *Financial Models for Funding Various Income Bands.* Given the variables needed to finance lower income units, it was suggested that cost distribution or financing models be developed to increase the hard to finance units. This would help all partners to know what types of resources are going to be needed, along with HPTF dollars and other vouchers and social services dollars. It was suggested that this would assist lenders in underwriting to meet these different income categories. Mr. Simms indicated subsidies will depend on funds available from HPTF and from other supportive service dollars. Over time, the Department

can assess what it costs to subsidize SROs, one-bedrooms, two -bedrooms, three-bedrooms and the various income bands associated with each.

7) *Impact of Smaller Non-Profits Carrying Costs Until Permanent Financing.* An issue was raised regarding the risk calculations of smaller non-profits carrying costs until a project can be permanently financed. It was suggested that perhaps smaller non-profit developers may need to partner with for-profit developers who have more funds. Smaller developers also expressed concerns that their mission focus is for lower-income levels, which may be different than for-profit lenders; and wanted to know how lenders felt about lending to smaller non-profit developers. Mr. Simms expressed hope that partnerships would be formed by bringing the parties (lenders & developers) together in this meeting.

8) *20% Eligible for Repairs.* For clarity, the 20% of the property value eligible for repairs is for the 3-year holding period.

9) *Lead Underwriter.* Under SAFI, the lenders were the lead underwriters, will lenders continue as the lead underwriters under ALP? Mr. Simms indicated that lenders will be the lead underwriters under both SAFI and the ALP; and that DHCD will have 10-days to review and approve the financing package under the proposed ALP.

10) *Changes to SAFI.* In response to questions about the continued need for SAFI, DHCD advised that SAFI will continue to exist on an independent track and DHCD intends to continue the SAFI program beyond its present 2020 repayment extension.

11) *Vacant Property Tax Costs during Holding Period.* Currently, the vacant property tax is a burden to developers during the holding period until development is completed. Developers have had experiences with the Office of Tax and Revenue's unwillingness to discuss a variance or exemption to the tax during the development period. The question was raised whether there was a way for properties under ALP and in the DHCD pipeline to be exempt from the vacant property tax? While DHCD does not plan to combine ALP projects and existing pipeline projects, the Agency will share with the Office of Tax and Revenue the vacant property tax concern.

12) *Lenders process for deciding how much of DHCD's money gets included in the loan.* Since the DHCD's money would be cheaper, lenders can elect when making a loan whether to use DHCD's money as a part of the loan or make it just a guarantee and not part of the loan. From the developers' point of view, they would want DHCD's money in the loan because it is cheaper. One lender responded that the use of DHCD's money would depend on what each deal required, the feasibility and overall capital structure of the deal. While another lender indicated that it planned to loan 75% of its funds at its interest rate and

25% of the funds would be at DHCD's rate, resulting in a write down of the cost of the interest rate significantly.

13) *Acquisition and Predevelopment Dollars.* DHCD was asked, going forward, will all acquisition and predevelopment funding come through ALP, or will DHCD set aside any funds for acquisitions and predevelopment? Mr. Simms clarified that acquisition and predevelopment funding will be through the APL lenders once it is operational, and that DHCD will continue its role of providing gap financing.

14) *ALP Loans and Permanent Gap Financing.* The question was raised whether borrowers/ developers who receive acquisition funds outside of ALP and SAFI will be at a disadvantage for consideration under the combined RFP for permanent gap financing. DHCD advised that those who did not received ALP financing would not be at a disadvantage, and under the anti-deficiency laws, the agency cannot make advance commitments.

15) *Deal Terms and Costs.* Given the volatile nature of the real estate market at this time, moving quickly to purchase land is important to developers. Several questions were asked regarding the practical application of the program, for example, what would be the blended interest rate, the guaranteed requirements, any underwriting distinction between vacant properties versus operating properties, any acquisition size limits and the possibility to close within 90 to 120 days? Mr. Simms indicated that there is a desire to create competitiveness in the marketplace and to provide affordable opportunities across the city. The purpose of ALP is to reduce the time to purchase and to move quickly through the process.

16) *When DHCD and Lender Underwriting Guidelines Differ.* In those instances where lender rules regarding per-unit costs or total costs and vacant property as opposed to operating properties are more stringent or conservative and DHCD is willing to be more flexible, whose rules regulate? The Chairman indicated that this is an issue to flag for further consideration. Mr. Simms stressed that the reason for sharing DHCD's standards is so all will know the agency's requirements; and hopefully, the lending environment will adjust. He stressed that through continuous conversations, collectively, more capital will be made available.

17) *Interest Rates and the Distribution of Funds to ALP Lenders.* A Lender inquired how the funds will be distributed, i.e., whether it is a line of credit, or if the interest rate is 0% to lenders, would DHCD suggest what rate to lend to borrowers? Mr. Simms stated that DHCD will enter into agreements with participating lenders.

18) *Evaluating Public Policy Preservation and Monitoring the HPTF Portfolio Standard.* Questions and concerns were raised surrounding: preserving public policy goals of financing and preserving smaller projects that require deeper affordability, i.e., tenant purchases, when underwriting is outsourced to private

lenders; ensuring that smaller projects with deep affordability/affordable units are preserved in expensive areas; identifying an evaluating body for ALP; monitoring the HPTF portfolio of 40% funding for below 30% AMI and 40% funding to support units 31 to 50% AMI; and reviewing which deals get funded and why. DHCD advised that the goal of the Agency and HPTF is to preserve affordable housing in the District, and what forms that takes will vary. Mr. Simms noted that different structures are needed to mitigate lender concerns while maintaining the TOPA structure. Regarding oversight, the Agency will continue to have discussions, likely through the current forum, to make determinations on the necessary course of action to ensure that affordable housing is preserved.

19) *Whether ALP will Enable DHCD to Meet its Public Good Goals.* One commenter indicated that the deep affordability includes "deep permanent affordability" and is not just a TOPA issue, but goes beyond TOPA. The commenter was concerned whether there was a consensus among stakeholders that by outsourcing through the ALP, lenders would be able to help cover the common good that DHCD is entrusted to do and has been doing. Chairman Bowers stated that the HPTF Advisory Board has and will continue to monitor how DHCD meets its income targeting.

20) *Improving Lender Loan Committee Comfort with Deep Income Targeted Lending.* The question was posed to lenders whether there was anything the ALP can or could provide, or could be added, to help loan committees get comfortable with doing deep income target lending with organizations that are not balance sheet strong or staff deep. One lender responded that currently there are no existing barriers that would prevent deep income targeting and partnering with other lenders would be an option. Another lender responded that while its organization currently does a lot of deep income targeting, what is needed is public sector reliability and the ALP is a good move in the direction of public sector reliability.

21) *Unsecured Loans for Predevelopment Expenses.* DHCD and Lenders were asked if they would provide unsecured loans for predevelopment expenses; and if DHCD would provide a 25% top loss guarantee for predevelopment expenses. DHCD indicated that it does not now provide unsecured loans for predevelopment expenses; however, its funds could be used to takeout unsecured loans. One lender indicated that it has provided unsecured loans for predevelopment expenses, with a cap of $500,000 and review of the balance sheet and project underwriting. However, this lender would need a commitment from DHCD before it would close on the deal. Another lender indicated it has a limited amount of money to commit to unsecured loans. A third lender indicated it provides small bridge loans that are unsecured.

22) *Request to Continue Discussion Regarding Funding Unsecured Lending.* A CDFI lender asked that the issue of funding unsecured predevelopment lending be left open for further consideration, as a way to get money out quicker in a tenant purchase situation or where a developer just does not have the early equity needed

to stay with the project. Another lender indicated that there is a difference between "project initiation" tasks needed to develop a pro forma in a supportive housing project of about $35,000 to $50,000, as opposed to predevelopment costs which range from $500,000 to $700,000. Mr. Simms indicated that there is a difference between costs incurred when you have site control and when you do not. If there is site control then these expenses could be considered in a predevelopment loan. Chairman Bowers reminded the Board of prior discussions at the April 2014 Stakeholder meeting, where leveraging Trust Fund dollars with public and private dollars was the topic of discussion. He suggested the Board or DHCD may want to re-engage the members of the philanthropic community, developers and/or intermediary lenders to assemble a pool of $500,000 to be used toward smaller "project initiation" expenses.

23) *Role of CDFIs who lend to other Intermediaries.* A representative of the Calvert Foundation commented that she was trying to figure out how the Calvert Foundation, through its "Iconic Places Initiative", a $30M commitment to US cities to invest in deeper lending incentives like affordable housing, could become more involved in financing affordable housing in Washington, DC. Chairman Bowers expressed hope that others in the room would reach out and contact.

Following the Stakeholder discussion, there was a twenty minute break.

C. <u>Board Summary of Key Issues from the Discussion</u>

1) Prior to outlining key follow up items from the earlier discussion, Chairman Bowers asked members whether there were any key concerns from the earlier Dialogue. Four (4) concerns were raised:

   a. The Board asked DHCD, logistically, how a project went from the ALP to the consolidated RFP process; such as receiving extra or bonus points on the consolidated RFP? Mr. Simms responded that DHCD does not want to create an unbalanced system between those participating in the ALP and those that did not; but rather to lend on the strength of the RFP application. Further Mr. Kelly noted that the RFP applications are better products in recent years, due the transparency of the agency in sharing the rules for funding and more applicants are more likely to be funded than in the past.

   b. The Board expressed concern in how to get traditional banks to underwrite the deeper affordable units.

   c. The Board or the agency should re-engage the philanthropy community to discuss the possibility of establishing a half-million dollar pool for "project initiation", which is not a lot of money that could go a long way and be very helpful.

   d. As an answer to issues raised during the discussion, the Board suggested tracking the dollar amount needed for rental subsidies and support services as well as the permanent financing requirements from ALP funded projects; and to share the needs of the pipeline with those controlling the resources and others to ensure that the needed funds will be available when a project is ripe for permanent financing. In addition, a Board member requested an assessment of the proportional mix between permanent supportive housing, affordable housing, and affordable housing without services to assist the Board in discussing a measurable baseline to project the need for subsidies and services. Mr. Simms indicated that he would provide information from other jurisdictions that have similar types of funds and have a "managed pipeline".

2) Chairman Bowers requested that Board Member Sue Marshall provide the discussion topic and guests for the November meeting regarding the various Demand Side pipelines. Others were encouraged to bring thoughts or updates as it relates to this matter for the discussion, including DHCD information about a managed pipeline process.

3) *Key Issues from the Discussion for further Board Consideration:* See ***Attachment (4).***

a) *Property Repairs Relating to LTV Ratios.*

b) *Vacant Property Tax Exemption Needed.* The Board will consider whether to make a formal request to address the issue. The Chairman asked Board Member Bob Pohlman to review the matter and get back to the Board.

c) *Income Targeting.* How will the Board and the agency monitor how effectively dollars are reaching the income targets required by statute?

d) *Differences in Lending for Vacant Properties and for Operating Properties.*

e) *Underwriting Guidelines.* There is the need to monitor to ensure that there is no gap created by lenders being more stringent than DHCD. The Board will consider to what extent, formal or informal, it will need to monitor guidelines.

f) *Rent Subsidy Funding for under 30% AMI Projects.* Projects under 30% AMI will require rent subsidy. The Board will discuss how to effectively monitor the availability of resources, such as LSRP, Housing Choice Vouchers, Supportive Services, needed to fund deals under the Trust Fund for projects with units under 30% AMI.

g) *Unsecured Predevelopment Lending.* Board will consider the implications of leaving the door open for unsecured predevelopment lending.

Chairman Bowers thanked the DHCD staff Dialogue scribers: Cassia Sookhoo, Chris Marshall and Ayesha Traynham.

3. DHCD: Financial Status of the Housing Production Trust Fund (HPTF or Trust Fund)

A. *Financial Report Highlights.* Mr. Oke Anyaegbunam, the DHCD HPTF Officer, indicated that the agency has had some problems in the past year reconciling the HPTF financial data. Thus, the data presented, as of 9/30/14, is an estimate and has not been finalized due to an audit. See ***Attachment (5)*** for a summary of the draft HPTF fund balance and spending plan, as of September 30, 2014.

Mr. Anyaegbunam noted that as of September 30, 2013, the Housing Production Trust Fund had $139.7 million in cash available. Projected revenue for FY 2014 was estimated, including recordation taxes estimated to be $45.5M, transfer payments totaling $12.5M, and the Mayor's Housing Initiative was added to the budget for FY 2013 and FY 2014 at $19.9 million and $30.2 million, respectively.

Projected expenditures were primarily for multi-family projects and included administrative expenditures of 10%, the statutory limit. The debt payment on the New Communities Bond was not included in the financial status reports. Project expenditures that closed in FY 14 and previous years totaled $29 million, while outstanding funds to be paid on these projects totaled $23.8 million. Project expenditures may increase due to housing related expenses paid to DHCD programs from the Trust Fund. Total xpenditures for this year are estimated to be $74.9 million.

In closing, the Trust Fund has a projected fund balance of $172.9 million, at the end of FY2014, with adjustments to the fund balance of -$242.9 million, which includes -$86.1 million for committed projects and -$156.7 million for awarded projects not yet underwritten. Minus adjustments, the resulting HPTF Fund balance at 9/30/14 is -$70 million.

B. *Responses to Questions from the Board.* DHCD staff, Mr. Anyaegbunam, Mr. Simms, and Mr. Chris Dickersin-Prokopp, DHCD Strategic Program Specialist, provided the following comments and responses to questions from Board Members:

1) *Reducing the $70 million Housing Production Trust Fund Deficit.* A Board member asked if ongoing projects with new fiscal year dollars will help reduce the $70 million Trust Fund deficit. Mr. Anyaegbunam replied in the affirmative while also reminding Board Members that the Trust Fund balance is not finalized. Mr. Anyaegbunam asserted that the Fund Balance will be adjusted for revenue from recordation taxes, that will be higher than estimated and revenue from interest and loan payments, which are not included in the financial reports. Moreover, from a timing standpoint, additional funds will be available as pipeline projects may not go through, new funds will be added to the Trust Fund, and projects that are currently in the pipeline may require adjustment due to receipt of additional funding sources.

2) *FY2015 Funds and the Spring NOFA.* A Board member inquired if most of FY15 funds were already accounted for, such that there may not be a new Spring RFP NOFA. Mr. Simms reminded the Board that the FY 2014 RFP is for the following fiscal year.

3) *Spring RFP Projection.* Mr. Anyaegbunam was asked if there was a funding projection for the Spring RFP. Mr. Simms indicated that the funding projection is unknown at this time for the Spring RFP; however, he noted that funding will be conservative.

4) *Mayor's Housing Initiative Funding.* The Chairman sought clarification on the amount of funding that was provided to the Trust Fund from the Mayor's Housing Initiative. It was unclear if the funding amount was $50 million or $89 million. Mr. Dickersin-Prokopp clarified that the figure was $86.9 million. Of the $86 million, $66 million was the first portion and was deposited over a year ago, and shows up in the $139 million initial fund balance. Then, there was $20 million budgeted this fiscal year. The second Mayor's Initiative goes beyond the $86.9 million, with an additional $30.2 million.

5) *Transfer Payment.* A Board member raised a question about the $12.5 million in transfer payments added to the available funds for FY 2014. Mr. Anyaegbunam clarified that the transfer payments go to different sources as listed, merely income in- and -out and accounts for the gap between the $89.6 million and $100 million.

6) *New Communities Bond Debt Payment.* It was asked if payments were expected to come out of the Housing Production Trust Fund for the New Communities Bond Debt Payment. Because the discussion around whether there will be $7 million taken out for old debt service for bonds issued up to this point, the Chairman asked the agency to find out the funding status of the New Communities Bond Debt.

4. <u>DHCD: Update on the Development Finance Project Pipeline Per Unit Average Subsidy Costs by Income Bands</u>

During the September 2014 meeting, the Board discussed getting a better look at the District's total investment to affordable housing by developing a report that takes a comprehensive view of project investments by the Housing Production Trust Fund and other District agencies.

Since the September 2014 meeting, Mr. Chris Dickersin-Prokopp, has worked to merge the DHCD database with the Housing Finance Agency project list, DMPED project list, and the Housing Authority capital project list. After running stats on the merged project lists, deals were categorized by: DCHFA deals using bond and/or 4% tax credits, DCHFA deals with no DHCD subsidy, and DHCD deals with no DCHFA participation, and deals without DHCD subsidy. The report also looked at the per unit subsidy for HPTF projects. Mr. Dickersin-Prokopp noted that future review of this data may require differentiating projects by scope to support underwriting standards and budgeting. See ***Attachment (6).***

A. <u>Review of Data:</u>

- *DCHFA deals without DHCD subsidy.* DCHFA deals without DHCD subsidy (approx. 20 projects) received 25 percent of their equity from the sale of 4% tax credits. On most of these deals, the funding gaps were filled by bond money, private equity, or private loans.

- *DCHFA projects with DHCD subsidy.* DCHFA projects with DHCD subsidy (approx. 20 projects) receive 29 percent of their funding from LIHTC equity. The contribution from DHCD is volatile but averages 24 percent, most of which comes from the Trust Fund and some of which comes from CDBG. Private lenders or other equity and/or debt source contributes 45 percent.

- *DHCD deals without DCHFA Participation.* DHCD's contribution to projects without DCHFA participation (approx. 80 projects) range from 5 percent of project costs to 100 percent of project costs. The project type significantly contributes to the reported range in funding because some of the projects may be moderate rehabilitation, new construction, or substantial rehabilitation affecting the amount of funding. For a more accurate review of these deals, which were received and underwritten in the last two years, Mr. Dickersin-Prokopp split them by AMI targeting level. For 30 percent AMI units, the average Trust Fund investment is $117,000 per unit. For 50 percent AMI units, the average Trust Fund investment is about $88.800 per unit. For 80 percent AMI units. the average Trust Fund investment is $46,000.

B. *Responses to Questions:*

1) *Determining Project Funding with Location as Differentiating Factor.* Question raised: Other than the scoring method DHCD uses to determine which projects receive funding, what other considerations go into determining which projects to fund where similar projects are differentiated by location only? In cases of similar projects with location as the differentiating factor, DHCD advised that it would make an assessment of the neighborhoods in question, projects already funded in those neighborhoods and at what targets, and also the possibility of negotiating with other transactions.

2) *Competitive Market and Decreasing Attractive Projects.* A Board member continued the dialogue on identifying the most attractive projects. Mr. Dickersin-Prokopp and Mr. Simms communicated that the consolidated RFP process will assist in ensuring consistency of HPTF fund allocations. Also, the public input process would offer direction to the agency. An issue for DHCD is that projects that go straight to DCHFA proposing 60% AMI units have to be restructured once they come to DHCD. So, the question is how does DHCD get projects to come in meeting HPTF goals?

5. Approval of Prior Meeting Summary.

With the absence of a quorum at this point in the meeting, Chairman Bowers recommended that the approval of the Draft Meeting Highlights for September 8, 2014, be forwarded to the absent Board Members and be voted on at the next Advisory Board meeting. Along with the Meeting Highlights, the staff was asked to send out a request for Board Members to prepare a list of top items to share with the new mayoral administration regarding the Housing Production Trust Fund.

6. Old Business.

Chairman Bowers shared that the Interim Director of the Office of Boards and Commission is working to submit to Council an extension of service terms for the four board members whose terms are scheduled to expire in January 2015 (i.e., David Roodberg, Sue Ann Marshall, Oramenta Newsome, and David Bowers.)

7. New Business.

A. *Issues to Discuss with new Mayor.* Chairman Bowers recommended that Board members be prepared to discuss the top three to five issues that the Board wants to share with the new Mayor and staff.

B. *Notice of Proposed Dates for the Regularly Scheduled HPTF Advisory Board Meetings for Fiscal Year 2015 (10/01/15 - 09/30/15).* Chairman Bowers advised that the proposed dates for the HPTF Advisory Board regularly scheduled meetings in FY 2015 will continue to be the first Monday of each month, with the exception of April and September.
See ***Attachment (7).***

8. Announcements: See #2 above. Remarks by the Director, DHCD.

9. Public Comments: Included in Issues Raised during the Dialogue and responses under # 3B above.

10. Adjournment: 1:05 pm

Attachments: (Handouts or PowerPoint Slides) will be attached to approved Meeting Highlights.

Attachment (1):	List of Stakeholder Participants by Industry Designation, dated 10.6.14.
Attachment (2):	Meeting Agenda, dated 10.6.14.
Attachment (3):	HPTF Advisory Presentation, Acquisition Loan Program (ALP Discussion), dated, 10.6.14.
Attachment (4):	PowerPoint Slide, "Key Issues".
Attachment (5):	Draft HPTF Preliminary Funding and Utilization Status for FY 2014, as of 9.30.14, with attachments; prepared 10.6.2014.
Attachment (6):	Development Finance Division, Finance Project Pipeline Per Unit Average Subsidy Costs by Income Bands, dated 10.6.14.
Attachment (7):	Notice of Proposed Dates for the Regularly Scheduled HPTF Advisory Board Meetings, Fiscal Year 2015, as of 10.3.14.

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 November 3, 2014 meeting, with leave for the staff to make any technical amendments. After review by the Chairman, the final Meeting Highlights will be posed on the DHCD website.

Final Approval: ______________ **(David Bowers, Chairman)**

11/3/2014 **(Date)**