

Note: Questions and answers were recorded during the sessions, but unfortunately portions of the sessions were inaudible or didn't record. The information provided is what was captured. Some of the information has been paraphrased for clarity purposes.

Q & A

PRE BID SOLICITATION 4-6

8/20/2014

Q.

As you move through the threshold process, does the amount of DHCD financing requested impact the proposal assessment? That is to say, if you get 100% private financing are you looking at a better assessment of your project than if you needed just gap financing or if you needed 100% financing from DHCD?

A.

DHCD/DFD ONLY does gap financing. That is what we do. We are not a 100% lender to your project. We will not fund more than 49% of your project. A lesser amount of the financing is typically more desirable. The reason less is more is because our objective is to get the biggest bang for our buck. We typically receive more than one proposal for each site, so we're going to be comparing the sites and proposals. Our objective is to make sure the project is feasible. For example, if your pro forma states you need \$20,000, but we (based upon our experience) approximate you need \$40,000 our concern is that you will have a situation where you're asking for \$20,000 and then once you are awarded, request an additional \$20,000. This situation has occurred in the past. It causes a problem judging and awarding the project. If your project changes significantly from the original proposal, we have the right to determine if we want to move forward with your project or look back at the others and select a new awardee.

Q.

Is there a target population that you want to reach, for example, in a new construction ownership situation, and how does that impact the assessment of the project? In other words say I need 49% financing, but I'm reaching people who are in the 30-50% income level. Is there a ranking on the level of incomes of the people you will assist? And is that ranking given to us or is it something done in house?

A.

Yes, that is something that we deal with in house. The Housing Production Trust Fund (HPTF; primary source of DFD funding for these projects) program has program guidelines as well as project guidelines and the reason why I say it's something we deal within the agency is because the agency is looking at all the projects coming through, not just PAD,D but all the projects coming in for financing. The objective is to allocate 40% of program money for people with incomes earning 30% AMI, allocate 40% for people earning 60% AMI and then the remaining is at 80% AMI. That is the program guideline. However, we'd prefer you come in addressing those people at 30%, but we may have 100 projects in the agency and we've already met that program guideline, so we don't disclose that information because it's based upon DHCD's internal metrics.

Q.

If you were in need of gap financing let's just say 20-35%, when does your other financing have to be in place before DFD can close?

A.

We want all the money at the table at the same time. Now the question or issue may be, which money you want to spend first. We are not going to provide financing if all the monies have not been committed. In terms of dispersing, it is worked out between the agency and the developer. We can disperse first, last or in the middle. We ask for a draw schedule and then we come up with how that money can be dispersed.

Q.

You said something about a three year process cut down to a one year process. What takes a year to do, let's say, a residential project? Typically, securing the financing can happen in three months.

A.

You are correct, a year does seem like a long time. However, our review process is different from the process at a bank. Our RFP process involves other steps we need to comply with in addition to underwriting; including environmental studies, proposal comparisons, City Council approval (if over \$1M), OPM clearance, loan committee and going to another agency to disburse funds.

To follow up on Laverne's response, online we have a process and presentation map. This meeting is meant to discuss specific project sites. In June, we had the processes meeting. We have a process and presentation map that walks through all the changes and all the new processes. Go online to www.dhcd.dc.gov, click on services then PADD and look for the Stakeholder Forum event on June 11th. It will walk you through each and every step and you'll understand what each process is and why it takes a good bit of time to get from releasing the solicitation to closing.

Q.

Since you're only providing gap financing do you require the first deed of trust?

A.

We're a subordinate lender. We don't require first position, but we won't go third. We will be the second position. We will give you 100K and be in a second position, but we will not be in a second position to someone giving you 10K, for example.

Q.

Are there requirements on things such as personal guarantee etc.?

A.

Yes, all that information is asked for in the RFP

Q.

I was trying to get an idea from you in terms of your process, when do you intend on issuing letters of commitment? If the submissions of proposals are due in October, when do you anticipate finishing the process and issuing commitment letters... what's the ball park?

A.

It varies. The overall process is approximately one year from release date to closing. But if you're asking me the specific timeline from the October SFO due date to the closing date, were talking about at least five months. If you are referring to issuance of the award letter, it should take approximately 3 months. But, this is an estimate, so it depends on a number of factors (responses received complexity, etc.).

Q.

Would the process be faster if you are not asking for DFD financing?

A.

Yes. Good point. I'm here discussing DFD financing. If you come in here with your angel Investors and you go directly to PADD they will process your application and it should be faster. Our objective is to mirror what they're doing and carry out our steps concurrently.

Q. So, there is an advantage if you have all private financing?

A.
Yes.

Q.
In terms of when the announcements will be made regarding the successful developer who is awarded the project...is that made 60-90 days from October and you plan to close on the financing in July the following year? Then what happens when if you're going for subsidies and are there subsidies for affordable housing?

A.
Yes, if there are 5 units or more, there are monies available for subsidizing affordable housing. DFD typically finances 5 or more units, for sale or ownership.

There are a couple different factors that could affect the time frame, but it will take approximately three months for award and based upon that year time frame closing should occur around July the following year.

Q.
If I am coming in with 100% financing, from a private industry, does that increase your profit or ownership?

A.
From an ownership standpoint, once we close, the property is yours. We're disposing of the property to you. So, you're 100% owner regardless of the amount of financing. But, if you take out a loan you still have a lien on the property.

Q.
If I come with a stellar proposal for PADD, but don't ask for financing, how does that impact the process?

A.
The process would be faster, if you're not applying with DFD. We have our own process within PADD...we're going to request the PADD developers kit (not needed if you're applying for DFD financing), we're still going to look at your financing...again, the end goal is for us to combat blight and we want to make sure you're ready to deliver the project and part of that is scrutinizing your financing, though probably not to the extent DFD would.

Q. If one is applying for DFD funding do you require ANC approval?

In the application exhibits we have something called the checklist exhibits, which is a list of documents that will come in with your proposal. In that checklist, DFD asks if you have the ANC letter. We'd also recommend you to let the community and ANC know what your plans are. If in fact DFD does provide you with financing we go back to the ANC to let them know DHCD is putting money into the project and this is what they're doing. So, we ask you to do it on the front end to avoid any issues because if they have issues the project it will "stall BIG time". When we get you the commitment letter, that commitment letter documentation also goes to the ANC.

Q.
Are these projects subject to community benefit?

A.
Yes, all of them. That is a part of the solicitation. So you need to spell out specifically what the community benefits associated with your project will be.

Q.
Do you have the list of available properties?

A.

Yes, Andrea upstairs at the front desk should have the documents you need for all the sites in CD format. If not, you can stop by the Housing Resource Center at DHCD headquarters and pick up the CD. They are also available via our website www.dhcd.dc.gov.

Q.

Are there zoning requirements?

A.

In order to get funding from DFD, zoning has to be in place. If you have zoning issues, it slows the process down.

Q.

So, if it says in the solicitation, that you can get special approval through the BZA process, would by matter of right proposals be looked at differently?

A.

Typically, PADD favors "by right" projects and our new concurrent solicitation process dictates that PADD and DFD move through the stages at the same time. In this scenario, DFD would not be able to begin underwriting until the zoning was approved. If a proposal undergoing the BZA process would produce the most public benefit and transformational project, it would absolutely be considered for award.

Q.

If someone applies for DFD financing but the project needed a zone change, would PADD award the property?

A.

We would need to make a slight modification to the joint solicitation process and PADD (only) would provide a conditional award pending zoning approval, but DFD would need the zoning to be secured and approved before awarding financing.

Q.

Does PADD provide information such as appraisals and environmental studies?

A.

(Modified from original answer) PADD will provide appraisals and environmental studies for Phase II of solicitations and all future SFO, but for the six SFO released July 11, 2014 that information will NOT be available.