April 21, 2020

The Honorable Phil Mendelson, Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 402
Washington, DC 20004

Dear Chairman Mendelson:

Pursuant to D.C. Official Code § 42-2702.07, and on behalf of the Board of Directors (the “Board”) of the District of Columbia Housing Finance Agency (the “Agency”), you are hereby notified that on April 14, 2020 the Board enacted an Eligibility Resolution for tax-exempt and/or taxable multifamily housing mortgage revenue bond financing in an amount not to exceed $17,500,000 for the rehabilitation and equipping of Ritch Homes Apartments (the “Development”). The Development is expected to be located at 1424 R Street NW, Washington, DC 20009 in Ward 2. After completion, the Development is expected to consist of approximately forty-six (46) residential rental units.

A copy of the Eligibility Resolution for the DC Council’s review is enclosed as Exhibit “A”. A detailed description of the Development and its intended benefits are provided in the development financing memorandum enclosed as Exhibit “B”. If you have any questions, please contact me at (202) 777-1600.

Sincerely,

Christopher E. Donald
Interim Executive Director/CEO

Enclosures
EXHIBIT A
DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
RESOLUTION AS TO THE ELIGIBILITY OF RITCH HOMES APARTMENTS
FOR TAX-EXEMPT AND/OR TAXABLE MULTIFAMILY HOUSING
MORTGAGE REVENUE BOND FINANCING

WHEREAS, the District of Columbia Housing Finance Agency (the “Agency”) received a request on January 23, 2020 from Standard Communities and Housing on Merit (the “Applicants”) that the Agency provide rehabilitation and equipping financing for Ritch Homes Apartments, which, upon completion, is expected to consist of forty-six (46) residential units and will be located at 1420 & 1424 R Street, NW, Washington, DC 20009, Ward 2 (the “Project”);

WHEREAS, the Applicant has elected, pursuant to Section 142 of the Internal Revenue Code of 1986, as amended (the “Code”), to set aside at least forty percent (40%) of the units for households at or below sixty percent (60%) of the area median income, adjusted for family size (“AMI”);

WHEREAS, the Applicant is eligible for Low Income Housing Tax Credits pursuant to Section 42 of the Code, and has elected to set aside forty-two (91%) of the units at the Project for households at or below sixty percent (60%) of AMI. The Applicant meets the occupancy set-aside requirements for the option known as “income averaging” for this Project, with at least forty percent (40%) of the units set aside for households at or below sixty percent (60%) of AMI;

WHEREAS, the Agency has conducted a preliminary review of the request for financing of the Project in order to determine, among other things,
that the Project and the financing requested therefor, comply with the requirements of the District of Columbia Housing Finance Agency Act, D.C. Law 2-135, as amended, D.C. Code § 42-2701.01 et seq. (the “Act”);

WHEREAS, the Applicant has requested financing in an amount not to exceed $17,500,000 through an offering of the Agency’s Tax-Exempt and/or Taxable Multifamily Housing Mortgage Revenue Bonds (the “Bonds”) for the financing, including the financing of reasonably related and subordinate facilities and any permissible reimbursement expenses of the Project;

WHEREAS, all or a portion of the Project may be financed with proceeds of the Agency’s Tax-Exempt Multifamily Housing Mortgage Revenue Bonds, and such portion that is not financed with the Agency’s Tax-Exempt Multifamily Housing Mortgage Revenue Bonds may be financed with proceeds of the Agency’s Taxable Multifamily Housing Mortgage Revenue Bonds;

WHEREAS, Agency staff recommends the issuance of the Bonds in an amount not to exceed $17,500,000, in one or more series, for the benefit of the Applicant or other related entity affiliated with or related to the Applicant that will own and operate the Project (the “Borrower”); and

WHEREAS, providing the financing requested for the Project will confer a public benefit and serve the public interest by lowering the cost of and expanding available housing opportunities for low and moderate income residents of the District of Columbia (the “District”), all in accordance with and in furtherance of the purposes of the Act in the following manner:
1. Making available approximately forty-six (46) units, forty-two (91%) of which are estimated to be affordable to households with incomes at or below sixty percent (60%) of AMI;

2. Providing opportunities for construction jobs to District residents by requiring that the Applicant and the Borrower give priority to District residents; and

3. Contributing to the overall social and economic improvement of the Logan Circle neighborhood.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency (the “Board”) that:

1. Based upon a review of the request by Agency staff as it relates to the Project, the report on such review to the Board, the favorable recommendation of the Interim Executive Director/CEO, and upon due deliberation and consultation with Agency staff, the Board hereby determines that, based on the requirements of eligibility for financing by the Agency, the Project and its financing by the Agency will meet the requirements of the Act.

2. Final approval of any financing shall be subject to such terms, conditions and documentation acceptable or deemed necessary by the Agency.

3. This reservation of volume cap in the amount of $17,500,000, to the extent available to the Agency, is for a period of twelve (12) months which period may be extended at the sole discretion of the Board.

4. Adoption of this Eligibility Resolution shall not constitute a commitment from the Agency to issue the Bonds or to provide financing for the Project.
5. The Interim Executive Director/CEO is authorized to undertake such actions as are required to be taken pursuant to the Act and the regulations of the Agency, including the selection of tax professional services.

6. The Interim Executive Director/CEO is hereby authorized and directed to send to the Chairperson of the Council of the District of Columbia written notification of the adoption of this Eligibility Resolution describing the nature of the Project and the benefits designed to result therefrom as required by D.C. Code § 42-2702.07.

7. This Eligibility Resolution shall take effect immediately.
DCHFA Resolution No. 2020-11

ADOPTED ON APRIL 14, 2020
AT A MEETING OF THE BOARD OF DIRECTORS.

ROLL CALL VOTE:

Buwa Binitie : APPROVED
Stephen M. Green : APPROVED
Scottie Irving : ABSENT
Stanley Jackson : APPROVED
Heather Howard : APPROVED

Christopher E. Donald
Interim Secretary to the Board
EXHIBIT B
MULTIFAMILY UNDERWRITING MEMORANDUM
INDUCEMENT RESOLUTION
Ritch Homes Apartments
1420 & 1424 R Street NW, Washington, D.C. 20009
Ward 2
46 UNITS

DEVELOPER:
Standard Communities
Housing On Merit

SPONSOR:
Standard RH Venture LP

REHABILITATION
NOT TO EXCEED $17,500,000
Maximum LTV: TBD%, Minimum Debt Service: 1.15

KRISTIN CHALMERS
DATE: April 14, 2020
 TRANSACTION SUMMARY:

The Multifamily Lending and Neighborhood Investments (“MLNI”) underwriting staff recommends that the District of Columbia Housing Finance Agency’s (“DCHFA” or the “Agency”) Board of Directors (the “Board”) approve an Inducement Resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed $17,500,000 to finance a portion of the acquisition and construction costs for Ritch Homes Apartments (the “Project” or “Property”), a 42 unit affordable housing community.

The Property is comprised of two adjacent brick and masonry apartment buildings, each with 21 residential units for a total of 42 units. Built circa 1920, floor plans at the Project consist of studio, one-bedroom, two-bedroom, and three-bedroom apartments. There are laundry facilities as well as an onsite management/leasing office at the Project. The Project is ideally located in the Northwest Quadrant of the city of Washington, D.C, which is a part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (“MSA”). The MSA is in the hub of a well-developed highway network that allows access to the major urban centers of the Northeast Corridor. Additionally, the region is served by an integrated public transportation system with buses and modern rapid rail transit network lines emanating from downtown Washington, D.C into the suburbs. Strategically located in proximity to both Dupont Circle and Logan Circle, the Project also offers its residents easy access to public transportation (Dupont Circle Metro Station), major thoroughfares (US Route 29), major employers within the area, and the vibrant downtown Washington scene.

The proposed new ownership of the Project will be through a District of Columbia limited partnership named Standard RH Venture LP (“Owner” or “Sponsor”). The Owner will consist of a newly formed, single purpose general partner entity named Standard RH Manager LLC (“GP”) and a to-be-determined tax credit investor limited partner (“LP”). The GP will consist of HOM RH Manager LLC (“HOM-RH”), an affiliate of the parent non-profit organization, Housing on Merit (“HOM”) and Standard Communities.

Through the District of Columbia’s Tenant Opportunity to Purchase Act (“TOPA”), the newly formed 1420-1424 ouR St Tenants Association, Inc. (“Association”) represented the residents of the Project and submitted a Letter of Interest (“LOI”) to purchase the Project from R Street Limited Partnership, the existing owner of the Project (“Seller”). Subsequent to the Association’s submission of the LOI, the Association engaged in negotiations and interviews with various developers regarding the assignment of Association’s rights under the TOPA. On November 14, 2019, the Association formally selected, and assigned its rights under the TOPA to the Sponsor, paving the way for the purchase and development of the Project by the Owner and Developer, respectively.

The property is subsidized with a Project-Based Section 8 Housing Assistance Payment (“HAP”) contract with HUD. The existing owner has applied to HUD for a 6-month extension (expiring in August of 2020) to maintain the Project’s affordability during the ownership transfer process. In conjunction with the proposed new financing, the Sponsor will work with HUD to execute a new long-term HAP contract prior to the closing further preserving affordability of the Project via the Section 8 program. The Sponsor also intends to elect Income Averaging as the minimum set aside for the Project.

The capital stack for the Project will consist of permanent financing of approximately $20,400,000, $7,032,356 in Low Income Housing Tax Credit (“LIHTC”) Equity, and $1,616,624 in Deferred Developer Fee. The total development cost is $29,048,980 ($631,500/unit), inclusive of inclusive of acquisition, hard and soft costs, developer and financing fees, reserves and escrows. As noted above, Standard RH
Venture LP will be the owner and borrowing entity for the transaction. At closing, Standard RH Venture LP will admit a 99.99% tax credit investor member into the partnership to facilitate the LIHTC equity.

The remaining members of the development team are Whiting Turner as the General Contractor, Wiencek + Associates as the Architect, and Franklin Johnston Group as the Property Manager.

**LOAN STRUCTURE:**

The Project will be partially financed through the issuance of $14,000,000 million in DCHFA short term tax exempt bonds which will be credit enhanced by sale proceeds of Ginnie Mae (“GNMA”) mortgage backed securities. During construction, advances will be insured by the Federal Housing Administration (“FHA”). The short term bonds will be privately placed with Walker & Dunlop. Upon conversion, the permanent mortgage will be a taxable loan insured by FHA mortgage insurance under the Department of Housing and Urban Development’s (HUD) 221 (d)(4) program. The taxable loan will have a 40 year term.

**SUMMARY OF CONSTRUCTION SOURCES AND USES:**

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SUMMARY OF PERMANENT SOURCES AND USES:

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FINANCIAL ASSUMPTIONS:

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<td>Permanent Loan Term</td>
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<td>Minimum Amortizing DSCR</td>
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TAX CREDIT STRUCTURE:

The Sponsor has not selected a LIHTC investor but has received an initial LOI from Alliant Capital. Per the letter of intent (“LOI”) an affiliate of Alliant Capital will have a 99.99% ownership interest in the Project at the purchase price of $0.90 per $1.00 of federal tax credits. Alliant Capital will provide an estimated total equity investment of $7,032,356. HFA underwriting assumptions project a qualified basis of $25,046,508 an annual LIHTC amount of $781,451, and a total tax credits of $7,814,510.
LIHTC Calculation

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<td>QCT</td>
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<td>Annual LIHTC Amount</td>
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<td>L.P. Ownership</td>
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<td>Investor Pay Rate</td>
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<tr>
<td>Projected LIHTC Investor Equity</td>
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<td>$7,032,356</td>
</tr>
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</table>

Pay-In Schedule

- 1\textsuperscript{st} Contribution – 25% at Closing
- 2\textsuperscript{nd} Contribution – 30% at 25% Completion
- 3\textsuperscript{rd} Contribution – 18% at 50% Completion
- 4\textsuperscript{th} Contribution – 15% at 85% Completion
- 5\textsuperscript{th} Contribution – 10% at Stabilization
- 6\textsuperscript{th} Contribution – 2% at 8609s

SPONSOR /DEVELOPER/ GUARANTOR ANALYSIS:

Standard Communities ("Standard"), is a full-service real estate investment and management firm specializing in the preservation, rehabilitation, and ownership of affordable housing. The Principals of SPC have successfully developed more than 10,000 units of quality workforce and affordable housing across the country. Since 2008, SPC has had an excellent track record in completing $2.1 billion of property acquisitions and rehabilitation, including 28 separate Low-Income Housing Tax Credit ("LIHTC") transactions, consisting nearly 5,000 units. SPC has regional offices in Los Angeles, New York, Chicago, Washington, D.C., and Charleston. Standard previously closed Fort Chaplin with DCHFA in 2016 which was one of the largest tax-exempt bond, affordable housing preservation deal in D.C. history. Fort Chaplin was a $94 million acquisition and renovation of a 549-unit multifamily property in Ward 7.

Housing on Merit ("HOM"), is a 501(c)(3) non-profit organization that provides essential services and programs to assist homeless, precariously housed, and low-income individuals and families transform their lives. HOM develops and manages affordable and transitional housing by working with residents to
identify each community’s unique needs to create services and programs that address those needs while empowering the residents to live independent, fulfilling lives. HOM currently provides comprehensive support services and enrichment programs to approximately 7,000 residents to ensure economic and housing self-sufficiency. Additionally, HOM is involved as the Managing General Partner in over twelve (12) partnerships totaling approximately 3,000 units of affordable housing. In addition to HOM’s operational background, its Board of Directors has over 100 combined years of experience in the real estate industry.

Organizational Chart

GENERAL CONTRACTOR:

Whiting-Turner Contracting Company ("Whiting Turner") has been selected as the general contractor for this Project. Whiting Turner is headquartered in Baltimore, Maryland and has thirty regional offices nationwide, including one in the District of Columbia. They provide construction management, general contracting and design-services for multi-family residential, senior living mixed-use and hospitality projects. Whiting-Turner typically constructs 800 to 900 projects per year and enters approximately 15,000 subcontracts on an annual basis. On average, they complete $6.85 billion in construction work a year. Whiting-Turner has completed renovation projects in the District of Columbia including DCHFA financed Capitol Hill Towers (201 units) and Fort Chaplin Park Apartments (549 units).
PROPERTY MANAGEMENT:

The Franklin Johnston Group (“TFJG”) will serve as the Property Management Agent for the Project. TFJG is a privately-held real estate development and management company based in Virginia Beach, Virginia focused exclusively on the multifamily sector. Currently, TFJG manages 17,480 units across 98 communities in the Mid-Atlantic and south eastern states ranging from Rhode Island to Florida. The portfolio represents assets with a market value of approximately $1.8B and gross rent revenues for 2019 are projected to exceed $201 million.

The company was founded in 2013 by industry veterans Wendell Franklin (CEO), Tom Johnston (Chief Development Officer), Taylor Franklin (COO), Dave Jester (Executive Board Member) and Steve Cooper (SVP Development). Collectively, these individuals possess well over 100 years of combined experience in the multi-family industry. The establishment of TFJG stemmed from the founders’ perception that their own apartment portfolios were being underserved by management companies where diversification by sector and geographic expansion were prioritized. The principals felt certain they could build a management company focused exclusively on multifamily that better reflected their values and operating philosophy while simultaneously maximizing results and creating value.

TFJG has experience developing and managing a multitude of property types from conventional to project-based section 8. TFJG is an approved management agent for projects insured by the Department of Housing and Urban Development (HUD). The company’s principals began developing and managing HUD-insured projects in 2005 and are experienced in HUD’s leasing and management requirements for both market rate and affordable projects. TFJG is also designated as a Virginia Housing Development Authority (VHDA) Certified Management Agent, and won an RFP award from VHDA to manage any future properties that VHDA recaptures throughout all regions of the state. TFJG is part of a development team selected by the City of Norfolk through a competitive process that was recently awarded a $30M grant from HUD to re-develop Tidewater Gardens, a large public housing development in downtown Norfolk.

TFJG is the most successful developer in the state of Virginia in obtaining LIHTC credits from the Virginia Housing Development Authority’s (VHDA) Qualification Allocation Plan (QAP) process. We have obtained over $27,000,000 in annual tax credit allocations and secured more than $250,000,000 million of permanent loan financing from VHDA. We have never defaulted or been delinquent on any loan secured by The Franklin Johnston Group. Chairman and CEO, Wendell Franklin, was one of the first in the Commonwealth to begin developing with the federal Tax Credit program in 1989 and the partners to continue to develop approximately one project per year through the LIHTC in Virginia. As partners, the group has developed approximately 8,500 apartment homes.

TFJG currently manages Fort Chaplin, a 549-unit multifamily property located in Ward 7 of the District.

ARCHITECT:

Wiencek + Associates Architects + Planners (“Wiencek”) will serve as the architect of record for the Project. Wiencek is an AIA-award winning architectural firm that designs socially responsible,
sustainable solutions to create, improve, or revitalize our community. For over 30 years has served clients by master planning and designing important projects that have helped transform the local areas in which we live.

Michael A. Wiencek, Jr. serves as President for Wiencek. Mr. Wiencek is a recognized expert in master planning and developing complex, urban multifamily projects in tight settings. His firm’s successes are a direct result of his ability to combine expertise and attention to detail without sacrificing the quality of service he provides to his clients within the increasingly strict demands of schedule and cost. Mr. Wiencek has lead teams on the rehabilitation of over 72,000 multi-family housing units in approximately 450 projects. A number of these projects being significant historic projects involving Historic Tax Credits requiring the approval of local, state, and Federal authorities.

SITE CONTROL:

Through the District of Columbia’s Tenant Opportunity to Purchase Act (“TOPA”), the newly formed 1420-1424 R St Tenants Association, Inc. (“Association”) represented the residents of the Project and submitted a Letter of Interest (“LOI”) to purchase the Project from R Street Limited Partnership, the existing owner of the Project. Subsequent to the Association’s submission of the LOI, the Association engaged in negotiations and interviews with various developers regarding the assignment of the Association’s rights under the TOPA. On November 14, 2019, the Association formally selected, and assigned its rights under the TOPA to the Sponsor entity.

ZONING

The current zoning classification for the site is RA-2, which is characterized as a residential zone that is intended to:

- Permit flexibility of design by permitting all types of urban residential development if they conform to the height, density, and area requirements established for these districts; and
- Permit the construction of those institutional and semi-public buildings that would be compatible with adjoining residential uses and that are excluded from the more restrictive residential zones.

The RA-2 zone provides for areas developed with predominantly moderate-density residential.

RELOCATION PLAN:

The proposed relocation plan for the Project contemplates relocating tenants to hospitality units on site during the renovation. The Sponsor’s binding LOI with the tenant association, however, does give residents the option to relocate offsite to a hotel or extended stay facility during the renovation. In light of the current coronavirus pandemic, the Sponsor is exploring other strategies during the renovation as noted below:

- Begin exterior work, new unit work, and common area work first for a projected 4 months to allow for the pandemic to subside while still maintaining the normal construction timeline.
- Two week delay on each side of a unit renovation. A tenant will move out during construction and wait two more weeks after sanitizing the unit, and then move back into the renovated unit.
A ‘90-Day Notice’ with estimated renovation start date(s) will follow the General Information notice. After the notices have been provided to the tenants, TFJG will schedule a Project wide resident meeting for introductions and to discuss the proposed renovation plan and schedule. No later than one week before construction commencement, TFJG will issue a reminder notice to all residents outlining the general construction timeline, project scope, and preparation of the units for renovation. TFJG, in conjunction with representatives from our construction team, will be readily available to answer any questions and provide assistance when tenant specific accommodations need to be addressed in advance.

The unit renovations will be phased-in based upon the number of units being renovated at one time, with each phase expected to be completed in 10 business days. The work will be completed between the hours of 7:00am and 4:00pm. This will likely follow a floor-by-floor sequence. Each day a different element of the renovation will be completed. An example of the schedule is as follows.

- Days 1-2: demo and abatement are performed on the units
- Days 3-4: cabinets are replaced in the kitchens/bathrooms
- Days 5-6: units are painted, and kitchen/bathroom flooring are replaced
- Days 7-8: new appliances are installed, and plumbing/light fixtures are replaced
- Days 9-10: units are cleaned and punched for readiness

For renovation preparation, tenants will be required to pack up any loose or breakable items. Boxes for packing will be provided to tenants at least two weeks prior to their scheduled renovation start date. The tenants will be able to move out of their unit and into the hospitality units as early as the first weekend day immediately before renovation commencement of their unit. They may then move back into their units the first day after the renovation of their unit is completed. Supplemental manpower will assist in moving the boxes and any ‘unbreakable’ furniture, if needed. Packing assistance will be provided to any tenant that requests or requires assistance. The Sponsor intends to renovate in phases of 5 units each. A total of $50,000 is currently budgeted for tenant relocation. Currently there are 34 children under the age of 18 and 12 elderly tenants that reside at the property.

**SCOPE OF WORK:**

The planned renovations are extensive in scope and include improvements to both the interiors and exteriors of the two subject buildings. Additionally, as part of the planned renovations, the developer plans to expand the unit count from 42 units to 46 units, by adding two 1 bedroom and two 2 bedroom units. These units are planned to be located in the lower level of the subject buildings. The units will be accessible to handicapped occupants through the addition of a courtyard between the two buildings permitting at-grade access into the lower level. Also planned is the new addition of shared project amenities, such as a fitness center, business center, storage lockers, and outdoor courtyard. Unit interiors are planned to be updated with new paint, laminate plank flooring, updated kitchens and updated bathrooms. New lighting is planned for common areas (such as the hallways), a new key fob entry system will be installed, and repairs/updates to the exterior are planned.
After the completion of the planned renovation, subject kitchens will be in substantially improved condition with new flooring, counters, and appliances. Bathrooms will be updated with new vanities and fixtures. The flooring will be replaced throughout the unit, walls/ceilings will be freshly painted, and windows will be replaced. Additionally, updates/renovations to both the exterior and the buildings mechanical systems are planned.

MARKET DESCRIPTION:

According to a market study completed by Real Property Research Group in June of 2019, the Project’s Primary Market Area is generally oriented west of Howard University and north of Mount Vernon Square/Massachusetts Avenue encompassing the Logan Circle and Cardozo/U Street Corridor neighborhoods as well as portions of the Shaw, Dupont Circle, LeDroit Park, and Columbia Heights neighborhoods. The market has experienced an extensive amount of new construction multi-family rental development over the last several years. The bulk of the Dupont Circle neighborhood west of the primary market area was excluded as those census tracts are largely affluent with households typically outside of the target market for the subject property.

The subject site is in an attractive location as it is proximate to downtown Washington, D.C., and is accessible to major employment nodes and public transportation. The Logan Circle neighborhood, U Street corridor, and adjacent neighborhoods of Shaw and Dupont Circle are now supporting a large array of restaurants, entertainment, and retail that cater to upper-income households. The location is highly desirable for young and middle-aged professionals as new mixed-use developments are drastically changing the character of the area.

The Project’s site offers convenient access to public bus transportation. A Metrobus stop on the 52 and 54 Routes is located roughly one-half block east of the subject community at the corner of 14th and R Streets NW. Multiple Metro Stations are also located nearby. The U Street/African-American Civil War Memorial/Cardozo Metro Station, on the Blue, Green, and Yellow lines, is located one-half mile to the northeast at the corner of U and 13th Streets NW, while the Dupont Circle Metro Station, on the Red line, is 0.8 miles to the southwest at Dupont Circle.

VACANCY/ABSORPTION:

Based on the June 2019 market study completed by Real Property Research Group, the absorption pace of eight communities recently introduced in the market area ranged from seven to 96 units per month. The subject property currently has one vacant unit, which is in the process of being filled from a household on the waitlist. Furthermore, all current tenants are expected to be retained during renovations. Because of the improved marketability of the subject following renovations, any vacant units at the subject would likely be filled as soon as applications can be processed. Given the absorption pace of recently introduced communities in the market area and very low vacancy rate among existing tax credit communities (1 vacant unit among 776), we would expect the four new LIHTC units at the subject to lease up within one month.

In the hypothetical situation in which the subject community were to lose its HAP contract for subsidized units and would need to re-lease those units as LIHTC units restricted to 50 percent AMI, we
assume the 42 existing units would lease at a pace of 25 units per month. At this pace, all 46 proposed units at the community would reach 95 percent leased in less than two months. Due to the high demand for affordable units in the market area demonstrated through very low vacancy rate, we believe this absorption estimate is conservative.

APPRAISAL

Walker & Dunlop will commission an appraisal as part of its underwriting. MLNI staff will review the final appraisal prior to Final Bond.

UNDERWRITING NOTES: UNIT MIX

Please see unit mix below:

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<tr>
<td>1 BR</td>
<td>18</td>
<td>620</td>
</tr>
<tr>
<td>2 BR</td>
<td>16</td>
<td>794</td>
</tr>
<tr>
<td>3 BR</td>
<td>8</td>
<td>1,000</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>724</td>
</tr>
</tbody>
</table>

Please see affordability mix below:

<table>
<thead>
<tr>
<th>% AMI</th>
<th># of Units</th>
<th>% of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>5</td>
<td>11%</td>
</tr>
<tr>
<td>60%</td>
<td>37</td>
<td>80%</td>
</tr>
<tr>
<td>80%</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>100%</td>
</tr>
</tbody>
</table>

INCOME

**Gross Potential Rent (Affordable Rent Revenue):** The MLNI Underwriting Staff has underwritten GPR/Affordable Rent Revenue based on rents at stabilization. The property will consist of 46 units with 11% of the units set aside for households earning a maximum 30% of AMI or less, 80% of units set aside for households earning 60% of AMI or less, and 9% of units set aside for households earning 80% of AMI or less.
The table below illustrates the stabilized rents at the property:

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>% AMI</th>
<th>Market/Affordable</th>
<th>Subsidy Assumption</th>
<th># of Units</th>
<th>Unit Size (Sq. Ft)</th>
<th>Rent/Wtd Avg.</th>
<th>Utility Allowance</th>
<th>Net Underwriting Rents / Wtd Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFF</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>4</td>
<td>455</td>
<td>$1,975</td>
<td></td>
<td>$1,975</td>
</tr>
<tr>
<td>1 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>13</td>
<td>620</td>
<td>$2,350</td>
<td></td>
<td>$2,350</td>
</tr>
<tr>
<td>1 BR</td>
<td>30%</td>
<td>Affordable</td>
<td>HAP</td>
<td>3</td>
<td>620</td>
<td>$2,350</td>
<td></td>
<td>$2,350</td>
</tr>
<tr>
<td>1 BR</td>
<td>80%</td>
<td>Affordable</td>
<td>No</td>
<td>2</td>
<td>620</td>
<td>$1,821</td>
<td>$196</td>
<td>$1,625</td>
</tr>
<tr>
<td>2 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>2</td>
<td>733</td>
<td>$3,155</td>
<td></td>
<td>$3,155</td>
</tr>
<tr>
<td>2 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>9</td>
<td>752</td>
<td>$3,200</td>
<td></td>
<td>$3,200</td>
</tr>
<tr>
<td>2 BR</td>
<td>80%</td>
<td>Affordable</td>
<td>No</td>
<td>2</td>
<td>752</td>
<td>$2,184</td>
<td>$246</td>
<td>$1,938</td>
</tr>
<tr>
<td>2 BR</td>
<td>30%</td>
<td>Affordable</td>
<td>HAP</td>
<td>1</td>
<td>752</td>
<td>$3,200</td>
<td></td>
<td>$3,200</td>
</tr>
<tr>
<td>2 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>2</td>
<td>921</td>
<td>$3,500</td>
<td></td>
<td>$3,500</td>
</tr>
<tr>
<td>3 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>5</td>
<td>1,000</td>
<td>$4,150</td>
<td></td>
<td>$4,150</td>
</tr>
<tr>
<td>3 BR</td>
<td>30%</td>
<td>Affordable</td>
<td>HAP</td>
<td>1</td>
<td>1,000</td>
<td>$4,150</td>
<td></td>
<td>$4,150</td>
</tr>
<tr>
<td>3 BR</td>
<td>60%</td>
<td>Affordable</td>
<td>HAP</td>
<td>2</td>
<td>1,000</td>
<td>$4,225</td>
<td></td>
<td>$4,225</td>
</tr>
<tr>
<td>Total Units</td>
<td></td>
<td></td>
<td></td>
<td>46</td>
<td>724</td>
<td>$2,863</td>
<td></td>
<td>$2,854</td>
</tr>
</tbody>
</table>

NET OPERATING INCOME:

The MLNI Staff has underwritten the property’s NOI to $1,135,279 which supports a permanent mortgage of $20,400,000 with an amortizing DSCR of 1.15x in Year 1.

Vacancy: The MLNI Staff has underwritten the property’s vacancy to 5.0%.

Effective Gross Income (EGI): The EGI has been underwritten to $1,501,984 or $32,652/unit. The developer has assumed an increase in LIHTC rents at a rate of 2% per year.
REGULATORY REQUIREMENTS

Regulatory Use Restriction

In accordance with IRS Section 142 requirements for tax exempt bonds, the Sponsor has elected to set aside a minimum of 40 percent of the units for households with incomes at or below 60 percent of AMI. Pursuant to IRS Section 42 requirements for tax credits and to maximize tax credit equity, the Sponsor has elected to set aside 100 percent of the units at or below 60 percent of AMI for 15 years following the year the Project is placed in service. The tax exempt bonds qualified project period will be reflected in the Tax Regulatory Agreement between DCHFA and the Sponsor. The 15 year tax credit compliance period and the 30 year extended use period (which runs concurrently) will be reflected in the Indenture of Restrictive Covenants for Low Income Housing Tax Credits between DHCD and the Sponsor.

Minority and Local Business Entities’ Participation

The borrower will be required by the Tax Regulatory Agreement to comply with all District and federal laws concerning contracting and procurement, including the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005, as amended (DC Code § 2-218.01 et seq.), the Workforce Intermediary Establishment and Reform of First Source Amendment Act of 2011, as amended (DC Code § 2-219.01 et seq. (First Source Act)), D.C. Law 2-156, Section 5 (Apprenticeship Program), and will execute a First Source Employment Agreement (First Source) with the District of Columbia Department of Employment Services (DOES) and a subcontracting agreement with the Department of Small and Local Business Development.

Green Building Requirements

The Sponsor will be required to fulfill the requirements of the Green Building Act. It is anticipated that the Project will design the project to meet Enterprise Green Communities 2015 Green Building Standards. DCHFA staff will confirm with the District of Columbia Department of Energy and Environment prior to final bond approval that the Project is in compliance with the District’s Green Building Act requirements prior to closing.

Inclusionary Zoning

In July 2010, the District of Columbia Zoning Commission approved emergency amendments specifying that projects with the following characteristics will be exempt from the inclusionary zoning (“IZ”) regulations:

- At least 80% of units must be affordable.
- Rent and sale prices must not be above maximum limits for the affordability program.
- Units must remain affordable for at least 30 years.
- A Covenant for affordability must be recorded against the properties.

Based on the above standards, the Project is exempt from IZ regulations during the 30 year period that the DHCD LIHTC Indenture of Restrictive Covenants is enforced. However, an IZ covenant must still be recorded. The IZ covenant will be subordinate to DCHFA and DHCD’s covenants while they are active and will only take effect when the two covenants expire.
SUMMARY/CONCLUSION/RECOMMENDATION

The Project upon completion will provide 4 additional affordable units and 42 rehabbed affordable units in the District of Columbia. The Multifamily and Neighborhood Investment underwriting staff therefore recommends that the Board approve an Inducement Resolution authorizing the issuance of tax-exempt bonds in an amount not to exceed $17,500,000 to finance a portion of the costs to construct the proposed development.