



2018 JUN 20 PM 5:03
OFFICE OF THE
SECRETARY

MURIEL BOWSER
MAYOR

JUN 20 2018

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, DC 20004

Dear Chairman Mendelson,

Enclosed for consideration and approval by the Council of the District of Columbia is an amendment to a previously-approved loan agreement for the redevelopment of affordable housing adjacent to the Historic Strand Theater at 5131 Nannie Helen Burroughs Ave, N.E. ("Project"). The loan agreement will finance a portion of the predevelopment, construction, and development costs of approximately eighty-six (86) affordable rental housing units, related parking, and other improvements on parcels adjacent to the historic Strand Theater. The project is part of the New Communities Initiative (NCI) which is a District program designed to revitalize severely distressed subsidized housing and redevelop communities plagued with concentrated poverty, high crime, and economic segregation.

The original Loan Agreement for the Project was approved by the Council November 19, 2016 (CA21-0524, "Proposed loan agreement with The Warrenton Group, L.L.C. and the NHP Foundation in the amount of \$9,900,000") whereby the District negotiated with the Warrenton Group, LLC and The NHP Foundation ("Developer") to fund \$9.9 million of the \$28.7 million budgeted for the Project. Since the approval of the original loan agreement, The Developer has requested additional loan funds in the amount of \$5.7 million for a total loan amount of \$15,600,000, which is reflected in the loan agreement I present to the Council today.

The increased loan is needed to fund increased project costs resulting from changes in market conditions and the discovery of environmental conditions that require remediation. Specifically, general contracting costs have significantly increased and tax credit pricing has decreased since the project was originally underwritten over a year ago. The new project budget is \$36,098,331. The remainder of the funding will be provided by developer equity, developer debt in the form of a commercial and permanent loan, Historic Tax Credits, and 4% Low Income Housing Tax Credits.

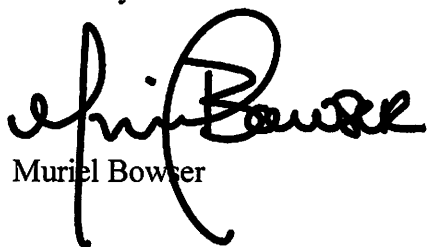
The Project will engage at least 51 percent local, small, and disadvantaged business participation, and incorporate First Source hiring requirements. The Project will also produce 86 housing units, 100 percent of which will be affordable to households earning 60 percent or below of Area Median Income. Twenty-eight of the 86 units will be replacement housing for families currently living in the Lincoln Heights and Richardson Dwellings public housing communities. The Project will include approximately 9,000 square feet of commercial space, including two retail bays on the ground floor, a small business incubator on the mezzanine level, and additional ground floor community space and related parking. The community space is expected to be used by residents of the Deanwood neighborhood and the greater Ward 7 community.

Council action is necessary to approve the amended contract with the Developer, which authorizes the total expenditure amount of \$15.6 million for the period of performance approximately from November 2016 to November 2019. This project furthers the goals of the New Communities Initiative to create vibrant mixed-income neighborhoods that address both the physical architecture and human capital needs of their residents, where residents have quality affordable housing options, economic opportunities, and access to appropriate human services. But for the District's investment in this vital NCI Project, the Project could not move forward.

The Chief Financial Officer has certified funding is available within the New Community FY2018 Capital Budget to support this loan agreement. The Office of the Attorney General has determined the contract to be legally sufficient.

As always, I am available to discuss any questions you may have regarding this contract.

Sincerely

A handwritten signature in black ink, appearing to read "Muriel Bowser". The signature is stylized and cursive, with the first name "Muriel" written in a larger, more prominent script than the last name "Bowser".

Muriel Bowser

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement



COUNCIL CONTRACT SUMMARY

Pursuant to D.C. Official Code § 2-301.05a(c) (1), the following contract summary is provided:

A. The contract number, proposed contractor, contract amount, unit and method of compensation, contract term, and type of contract

Proposed Contractor:	The Warrenton Group, L.L.C. and The NHP Foundation (“the Development team”)
Contract No.:	DCEB-2016-R-5002
Contract Amount:	\$15,600,000
Unit & Method of Compensation:	Fixed Cost Contract
Contract Caption:	Financing for Strand Theatre Redevelopment
Term of Contract:	40 years
Type of Contract:	Development Loan Agreement

B. The goods or services to be provided, including a description of the economic impact of the proposed contract, the social impact of the proposed contract, the methods of delivering goods or services, and any significant program changes reflected in the proposed contract:

This amended Development Loan Agreement (DCEB-2016-R-5002, “Amended Loan Agreement”) will be used to finance a portion of the predevelopment, construction, and development costs related to the new construction of affordable housing/mixed-used development on parcels adjacent to the Historic Strand Theatre located at 5131 Nannie Helen Burroughs Avenue, NE in the Deanwood neighborhood of Ward 7 (“the Project”). The Project will produce approximately 53,000 square feet of residential space, equaling 86 for-rent housing units that will all be leased to families earning 60% and below of Area Median Income. This

project is part of the District's New Communities Initiative ("NCI"), which aims to revitalize severely distressed subsidized housing, and redevelop communities plagued with concentrated poverty, high crime, and economic segregation. 28 of the 86 total units will be set aside as replacement housing for families currently living in the Lincoln Heights and Richardson Dwellings public housing communities.

The Project will create approximately 9,000 square feet of commercial space including 2 retail bays on the ground floor, a small business incubator on the mezzanine level, and additional ground floor community space and parking. The community space is expected to be used by residents of the Deanwood neighborhood and the greater Ward 7 community. This Project will attract private investment dollars to the Deanwood neighborhood, engage 35% local, small, and disadvantaged business participation, and incorporate First Source hiring requirements.

a. History of the Loan Agreement

The original Loan Agreement for the Project was approved by the Council November 19, 2016 (CA21-0524)("Original Loan Agreement") whereby the District negotiated with the Warrenton Group, LLC and The NHP Foundation ("Developer") to fund \$9.9 million of the \$28.7 million budgeted for the Project.

Pre-development funding pursuant to the original Loan Agreement has been distributed to the Development Team. The Development Team has used the predevelopment funds to advance the Project and satisfy important project milestones such as the acquisition of adjoining parcels needed to complete the entire development project. The Planned Unit Development and Zoning Amendment was approved by the Zoning Commission in January 2018.

The Strand Theatre development team submitted a Request for Increased Funding Allocation in March 2018. Significant changes in the market place since the project was underwritten over a year ago have resulted in the need for additional funding. Increases in general contracting costs and the discovery of soil contamination have also increased project costs. Additionally, a decrease in tax credit pricing have resulted in a reduction in the amount of equity that can be raised for the Project.

The Office of the Deputy Mayor for Planning and Economic Development (DMPED) has closely analyzed the underwriting assumptions and market conditions to arrive at the recommendation for an increased award of an additional, \$5,700,000 for a total loan value of \$15,600,000.

C. The selection process, including the number of offerors, the evaluation criteria, and the evaluation results including price and technical components:

DMPED selected the Washington Metropolitan Community Development Corporation in 2008 to redevelop the Strand Theatre. Since then, The Warrenton

Group, L.L.C. and The NHP Foundation have been brought on as development and financing partners.

The project will be funded through multiple funding sources, including DMPED's Loan Development Agreement, 4% Low Income Housing Tax Credits, Historic Tax Credits, developer equity, and private debt.

D. The background and qualifications of the proposed contractor including its organization, financial stability, personnel, and prior performance on contracts with the District of Columbia government:

The Warrenton Group ("TWG") is a minority-owned, Washington, DC based CBE designated real estate development firm that specializes in mixed-income residential and mixed-use development. The firm focuses its resources and experience on transforming urban neighborhoods throughout the Washington, D.C. metropolitan area to fulfill both long- and short-term goals of the communities and the District. TWG's guiding principle is "Your Neighborhood, Our Commitment". While working closely with property owners, neighborhood residents, and local governments, TWG is committed to creating innovative combinations of housing, retail, and commercial spaces that support and advance positive community oriented values. TWG's team has a lengthy and successful track record in community development. Led by Warren C. Williams, Jr., who specializes in acquisitions, negotiation and strategic planning, the firm offers a breadth of experience and style. The Warrenton group has completed two offsite "build first" developments for the New Communities Initiative – The Avenue for the Park Morton NCI Plan, and 2M Street for the Northwest One NCI Plan – and will begin construction on a 3rd site this fall – Deanwood Hills (5201 Hayes) for the Lincoln Heights/Richardson Dwellings NCI Plan. These represent \$356M in total development costs, with \$46M in District subsidy and the remainder from private financing, tax credit and developer-secured equity.

The NHP Foundation is a nonprofit real estate organization dedicated to preserving and creating sustainable, service-enriched multifamily affordable housing. Their business model combines a charitable mission with businesslike management and financial discipline to create stable multifamily residential communities that thousands of Americans are happy to call home. Since its incorporation as a nonprofit in 1989, NHPF has operated with both a charitable mission and businesslike financial discipline, preserving 57 multi-family properties, comprising a total of 11,156 apartment units. They currently have a portfolio of 6,000 units located in Connecticut, District of Columbia, Florida, Louisiana, Maryland, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, and Virginia, and since 2007 have completed the construction of two new affordable housing properties and five Low Income Housing Tax Credit rehabilitations, totaling \$218,075,830 in value. They also created a \$50 million equity fund for the acquisition of properties to be redeveloped and preserved as tax credit properties by 2019. NHPF's holistic housing approach goes beyond providing "bricks and mortar." They combine affordable housing with an active resident services

program— Operation Pathways—which provides a wide variety of educational, health, financial literacy, and enrichment programs for residents.

E. Performance standards and the expected outcomes of the proposed amended contract:

The contractor must follow the project development schedule included as Exhibit G, which includes the requirements for the Developer to close on the land and financing by September 25, 2018, complete construction by August 1, 2020, and complete lease-up of the residential units by December 1, 2020.

F. A certification that the proposed amended contract is within the appropriated budget authority for the agency for the fiscal year and is consistent with the financial plan and budget adopted in accordance with §§ 47-392.01 and 47-392.02:

The Agency Fiscal Officer provided a certification of funding, June 7, 2018.

G. A certification that the proposed amended contract is legally sufficient and has been reviewed by the Office of the Attorney General, including whether the proposed contractor has any currently pending claims against the District:

The proposed amended contract has been reviewed by the Office of the Attorney General and found to be legally sufficient.

H. A certification that the proposed contractor is current with its District and federal taxes or has worked out and is current with a payment schedule approved by the District or federal government:

Tax verification letter is attached.

I. The status of the proposed contractor as a certified local, small, or disadvantaged business enterprise:

The contractor is a certified local, small, or disadvantaged business enterprise.

J. Other aspects of the proposed contract that the Chief Procurement Officer deems significant:

None

K. A statement indicating whether the proposed contractor is currently debarred from providing services to any governmental entity (federal, state, or municipal) the dates of the debarment, and the reasons for the debarment:

The proposed contractor is not debarred from providing government services.

L. Where the contract, if executed, will be made available online:

www.dmped.dc.gov.

Required Documents:

OTR Tax Verification Letter	Updated (5/25/2017)
DOES Tax Verification Letter	Updated (6/20/2016)
Certificate of Clean Hands (For Warrenton Group, LLC and NPH Foundation)	Updated (5/30/2017)
Ethics and Accountability Statement	Original
EEO Policy Statement	Original
Legal Description	Exhibit A
Affordable Housing Covenant	Executed (8/22/2017)
CBE Agreement	Executed (9/1/018)
First Source Employment Agreement	Executed (8/3/2016)
Project Development Schedule	Exhibit G**
Project Budget	Exhibit J**
Replacement Unit Count & Mix	Exhibit K
Draw Schedule	Exhibit L**

**These exhibits have been updated pursuant to the Amended Loan Agreement



Government of the District of Columbia

CERTIFICATE OF CLEAN HANDS

**NHP FOUNDATION
1090 VERMONT AVE NW STE 400
WASHINGTON, DC 20005-4905**

EIN : ***6004**

As reported in the Citywide Clean Hands system, the above referenced individual or entity has no outstanding liability with the District of Columbia. As of the date herein, you have complied with the following official DC code and therefore are issued this Certificate of Clean Hands.

TITLE 47. TAXATION, LICENSING, PERMITS, ASSESSMENTS AND FEES
CHAPTER 28. GENERAL LICENSE LAW
SUBCHAPTER II. CLEAN HANDS BEFORE RECEIVING A LICENSE OR PERMIT
D.C. Code § 47-2862 (2006)
§ 47-2862. Prohibition against issuance of license or permit.

A handwritten signature in black ink, appearing to read "Bobby Tucker", written over a horizontal line.

Authorized By Bobby Tucker
Chief Collection Division

Date: Tuesday this 30th day of May 2017 03:08 PM

Tracking#: 664311

This document is a certified, complete and true copy.



Government of the District of Columbia

CERTIFICATE OF CLEAN HANDS

THE WARRENTON GROUP, LLC
5335 WISCONSIN AVE NW STE 440
WASHINGTON, DC 20015-2054

EIN : *****4360

As reported in the Citywide Clean Hands system, the above referenced individual or entity has no outstanding liability with the District of Columbia. As of the date herein, you have complied with the following official DC code and therefore are issued this Certificate of Clean Hands.

TITLE 47. TAXATION, LICENSING, PERMITS, ASSESSMENTS AND FEES
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D.C. Code § 47-2862 (2006)
§ 47-2862. Prohibition against issuance of license or permit.

Authorized By Bobby Tucker
Chief Collection Division

Date: Tuesday this 30th day of May 2017 03:10 PM

Tracking#: 664313

This document is a certified, complete and true copy.



2018 JUN 22 AM 9:16

OFFICE OF THE SECRETARY

Fiscal Sufficiency Certification

Based on my review of the allocation increase of the Development Loan Agreement of \$9,900,000 between the Office of the Deputy Mayor for Planning and Economic Development (“DMPED”) and the District of Columbia Housing Authority (“DCHA”) in the increased amount of \$5,700,000;

I certify that:

- 1) DMPED has the proper, current, adequate and unencumbered budget in the full amount of the allocation increase;
- 2) DMPED has budgeted funds for the allocation increase in the current fiscal year;
- 3) DMPED has available funds to pay the allocation increase in the full amount proposed;
- 4) The source of funds for the allocation increase is list below;

Project Title	Project No	Approp Fund	Approp Agy Fund	Approp Year	Approp Project Ph	Approp No	Index Code	PCA	Comp Object	Allocation Increase
MP-NEW COMMUNITIES	EB008C	0300	0300	2006	64	73104	CNEWA	DMP30	0409	\$ 5,700,000.00
MP-NEW COMMUNITIES Total										\$ 5,700,000.00

- 5) The funding of this allocation increase will not place DMPED in violation of the District’s Anti-Deficiency Act.

Curtis J. Lewis, II

Digitally signed by Curtis J. Lewis, II
 DN: cn=Curtis J. Lewis, II, o=Office of the Deputy Mayor for Planning & Economic Development, ou=Office of the Chief Financial Officer,
 email=curtis.lewis@dcd.gov, c=US
 Date: 2018.06.07 11:16:15 -0400

Curtis J. Lewis, II
 Agency Fiscal Officer, DMPED

June 7, 2018

Date

Brian T. Kenner
 Deputy Mayor



GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL



ATTORNEY GENERAL
KARL A. RACINE

MEMORANDUM

TO: Janet Robins
Deputy Attorney General
Legal Counsel Division

FROM: Lawrence Wolk
Assistant Attorney General
Commercial Division

THROUGH: David Fisher *DF*
Deputy Attorney General
Commercial Division

DATE: June 8, 2018

SUBJECT: First Amendment to Development Loan Agreement between The Warrenton Group, L.L.C. ("Warrenton") and NHP Foundation ("NHP") jointly, as Borrower, and the District of Columbia, acting by and through the Office of the Deputy Mayor for Planning and Economic Development ("DMPED"), as Lender ("Loan Agreement")
Loan Amount: Not to Exceed \$15,600,000

This is to Certify that the Commercial Division of the Office of the Attorney general has examined the captioned First Amendment to Development Loan Agreement and the Fiscal Sufficiency Certification by the DMPED Agency Fiscal Officer in connection with the \$5,700,000 increase in the Loan Amount, provided to us by DMPED in connection with the approval required by the Council pursuant to D.C. Official Code Sec.1-204.51 for proposed contracts in excess of \$1,000,000 (the "Transaction Documents").

After a detailed examination of the Transaction Documents we conclude that they do not contravene or violate any known legal requirements, obligations or commitments of the District government. Accordingly, in their present form as provided to us we discern no reason to determine that the Transaction Documents are not legally sufficient, and the Transaction Documents are therefore approved for legal sufficiency.

If you have any questions, please do not hesitate to call me at 202-724-5094.