

RESOLUTION 19-40

To Authorize the Execution of Ground Leases for the Redevelopment of the District of Columbia
Housing Authority Headquarters Site

Summary

The purpose of this resolution is to authorize the execution of ground leases of the District of Columbia Housing Authority (“DCHA”) headquarters site, located at 1133 North Capitol Street, NE, Washington DC (the “Headquarters Site”) (the “Ground Lease(s)”), between DCHA, as ground lessor, and DCHA’s procured development team (together with any subsidiary thereof, the “Development Team”), which comprises Mid Atlantic Realty Partners Realty, LLC (“MRP”), CSG Urban Partners and Taylor Adams Associates, as ground lessee, on terms as set forth in a confidential, Letter of Intent, dated December 5, 2019 (the “LOI”).

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TO AUTHORIZE THE EXECUTION OF GROUND LEASES FOR THE REDEVELOPMENT OF THE DISTRICT OF COLUMBIA HOUSING AUTHORITY HEADQUARTERS SITE

WHEREAS, in 2013, District of Columbia Housing Authority (“DCHA”) determined that its existing building was inadequate for its corporate and customer service requirements, and, accordingly, that redevelopment of the Headquarters Site would result in a new building, better suited to DCHA’s organizational purpose, and, also, result in positive financial returns to DCHA;

WHEREAS, on August 5, 2013, DCHA issued a Request for Qualifications (“RFQ”) from interested firms to act as a development partner with DCHA for the redevelopment of the Headquarters Site, soliciting the credentials of development teams that might assist DCHA to create and implement a comprehensive redevelopment plan for the Headquarters Site;

WHEREAS, of the five (5) teams deemed qualified to respond to a Request for Proposals (Solicitation No. 0038-2014, which DCHA issued on May 1, 2014, the “RFP”), only two teams submitted proposals;

WHEREAS, on November 12, 2014, the DCHA Board of Commissioners adopted Resolution 14-42 to authorize the Executive Director to negotiate and enter into a development agreement with a team that comprised Mid Atlantic Realty Partners Realty, LLC (“MRP”), CSG Urban Partners and Taylor Adams Associates (the “Development Team”) for the redevelopment of the Headquarters Site;

WHEREAS, DCHA and the Development Team commenced negotiation of a development agreement in January 2015, developing a deal structure that would have provided for a three (3) phased project, and which would have included: a new DCHA headquarters, at the current Headquarters Site, with an off-site “service center” (Phase 1), plus residential units and retail; and, in addition, two (2) additional residential phases (Phases 2 & 3);

WHEREAS, under this original concept, seven and two-tenths percent (7.2%) of the residential units in the project would have been affordable, including units serving as replacement units for former Temple Courts, Sibley, and Sursum Corda residents;

WHEREAS, Phases 2 and 3 would have provided for revenue in the form of ground rents, and other financial benefits;

WHEREAS, in January 2016, having determined that it would be advantageous to capture more of the value of the Headquarters Site to support its core, affordable

housing mission, DCHA enhanced the affordability requirement to twenty percent (20%) of the residential units developed on the Headquarters Site;

WHEREAS, this enhanced affordability created challenges to achieving all of the objectives outlined by the agency -- new headquarters for DCHA (including a service center), significant affordability, and additional financial value;

WHEREAS, the parties executed a development agreement (together with amendments thereto, the "Development Agreement") on December 18, 2017, agreeing upon a deal that provided the new DCHA headquarters in Phase 1, with an allowance (from land value of the Headquarters Site) for DCHA's construction of its service center, on-site affordable housing units, and ground rent streams from Phases 2 & 3 to support DCHA's public housing mission;

WHEREAS, after the execution of the Development Agreement, the parties commenced negotiation of documents necessary to execute the deal, including the Phase 1 ground lease and work agreement (the "Critical Documents");

WHEREAS, during the negotiation of these Critical Documents, challenges emerged, including significantly increased costs associated with delivering additional, subsidized affordable units and DCHA's changing priorities as a result of confronting poor conditions in its public housing portfolio;

WHEREAS, the parties have continued to negotiate in good faith; and

WHEREAS, pursuant to a confidential Letter of Intent, dated December 5, 2019 (the "LOI"), key terms of which are summarized in Exhibit A hereto, which is incorporated herein, DCHA and the Development Team have agreed to address challenges associated with the costs of producing a greater amount of subsidized units, and immediate generation of revenue that could be used to support the rehabilitation of deteriorated conditions in DCHA's public housing portfolio, within the outlines of DCHA's original concept; and

WHEREAS, Development Team has committed to: require its contractors to the hiring of not less than fifteen (15) Section 3 residents that have successfully completed training programs offered by CHCTDC and DCHA during the development and management phases; fund \$100,000 in job readiness training directly for DCHA residents; provide not less than fifty (50) additional Section 3 hires -- of which not less than twenty (20) would be specifically for residents referred by DCHA, during construction of the entire project; provide access to mentorship programs and not less than fifteen (15) paid/unpaid internships for the young adults in the NoMa area; and provide subcontract supportive services to Section 3 businesses for not less than 5% of the contract value;

WHEREAS, Development Team has committed to award not less than fifty percent (50%) of contract value to CBE firms (Developer estimates \$135 million in CBE contracts for this Project); and

WHEREAS, the deal as revised will more immediately unlock greater value from the Headquarters Site, which will fund: a new headquarters; significantly greater affordable units than contemplated in the original concept, without tapping local or Federal subsidy; and support for DCHA's affordable housing mission.

NOW THEREFORE, BE IT RESOLVED, that the Board of Commissioners adopts Resolution 19-40 to authorize the Executive Director to execute Capitalized Ground Leases with the Development Team for the redevelopment of the DCHA Headquarters Site, herein, including the execution of the DC Affordability Covenant, or modifications of existing covenants, and/or other documents as are necessary to effectuate

PROVIDED, HOWEVER, that by the date of Closing, as defined in Exhibit A, the Executive Director shall submit to the Board of Commissioners for its review and comment a plan for the relocation of DCHA to a new headquarters location(s).

ADOPTED by the Board of Commissioners and signed in authentication of its passage on the 11th day of December 2019.

ATTEST:

APPROVAL:

Tyrone Garrett
Executive Director/Secretary

Neil Albert
Chairman

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

Chelsea J. Andrews
General Counsel

Exhibit A

Summarized below are the key terms as agreed to in DCHA’s current Letter of Intent (“LOI”) with Development Team for redevelopment of the Headquarters Site.

Component	Key Term
Affordability	<ul style="list-style-type: none"> • 20% of any residential square footage, serving households at 60% AMI and below - estimated at approximately 228 affordable units but no less than 200 units • Priority given to DCHA resident households, including residents of Northwest One (including Turnkey, Sibley and former residents of Temple Courts,) ,and other District of Columbia New Communities Initiative projects.
Structure	<ul style="list-style-type: none"> • Capitalized 99-year ground lease
Land Payment	<ul style="list-style-type: none"> • \$67 million gross value, or higher
DCHA “Leaseback”	Estimated at \$14 million, reflected as a deduct to land payment at closing
Timeline	<ul style="list-style-type: none"> • June 2020 ground lease execution (6 months from 12/2019) • June 2021 closing (12 months from ground lease execution)
New DCHA HQ	Advanced on DCHA-owned land, led by DCHA and partner
Deposits to DCHA	<ul style="list-style-type: none"> • Submitted: \$100,000 • Additional: 5% of final value at ground lease execution (estimated June 2020)
Section 3/ Job Training & Hiring Commitment	<ul style="list-style-type: none"> • No less than 65 Section 3 residents, not less than 20 of which will be referred by DCHA • \$100,000 in job training for DCHA residents in job readiness training directly for DCHA residents • Provide access to mentorship and not less than 15 internships for young adults in NoMa area
Affordable Homeownership Commitment	<ul style="list-style-type: none"> • MRP will contribute \$400,000.00 to a fund to be held by DCHA that will be used to fund affordable homeownership opportunities at DCHA development sites, • DCHA will also set aside \$600,000.00 of the proceeds of the capitalized lease payment to fund affordable home ownership at one or more of its development sites.
CBE Commitment	<ul style="list-style-type: none"> • Not less than 50% CBE participation (contract value), estimated at \$135M of total project