

RESOLUTION 19-01

To Adopt a Framework for the Stabilization and Repositioning DCHA's Portfolio of Properties

Summary

The purpose of Resolution 19-01 is to: (i) adopt a framework for District of Columbia Housing Authority ("DCHA") Board of Commissioners' oversight and decision making in connection with the stabilization, redevelopment and repositioning of properties in the portfolio, including via demolition and redevelopment and major rehabilitation, and associated financing; and (ii) update (and reaffirm) the Redevelopment principles, established by the Board of Commissioners pursuant to Resolution 04-33.

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WHEREAS, since 2000, Federal government capital funding for the improvement of public housing, provided by US Department of Housing and Urban Development ("HUD") has declined precipitously, including an almost fifty percent (50%) drop between 2001 and 2012;

WHEREAS, as a result, to date, District of Columbia Housing Authority ("DCHA") has deferred maintenance with costs in excess of \$1 billion;

WHEREAS, DCHA confirmed the practical impact of this "defunding" in the results of recent lead risk assessments and comprehensive inspections and conditions review of each unit in DCHA's portfolio, which included: identified lead hazards; significantly degraded property infrastructure (e.g. roofs, plumbing); environmental issues such as mold; in unit damage and wear; and rodents;

WHEREAS, DCHA created categories of its units, based upon the level and urgency of required action, including: *extremely urgent* – more than 2500 units in such disrepair, and with failing REAC scores and such environmental and other conditions that further delay could imperil the health and safety of residents; and as many as 4,445 additional units in *critical condition* – that could threaten the long-term viability of the units if left unabated;

WHEREAS, DCHA estimates the cost of addressing these most urgent needs in FY 19 to be Three Hundred Forty-Three Million Eighty-Eight Thousand Seven Hundred Eighteen Dollars (\$343,088,718.00);

WHEREAS, in 2012, in recognition of the historic defunding of public housing, Congress authorized the Rental Assistance Demonstration ("RAD") program (*Public Law 112-55*) with the stated purpose "...to preserve and improve public housing and certain other multifamily housing through the voluntary conversion of properties with assistance under section 9 [traditional public housing]... to properties with assistance under a project-based subsidy contract under section 8 [HCVP]..." , and in 2018 launched an initiative to encourage public housing agencies ("PHA"s) to reposition public housing units to "allow communities to develop locally appropriate strategies to preserve affordable housing..." [and]...access "...forms of affordable housing financing commonly available in the private market";

WHEREAS, in addition to RAD, HUD has made has encouraged PHAs to use repositioning tools, such as: Section 18 Demolition or Disposition – demolition of public housing properties, or disposition of public housing properties to a third party to allow for financing structures; Declaration of Trust Release – release of HUD affordability Declaration of Trust as a means of clearing title for financing; and Voluntary Conversion

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– conversion of public housing property funding from Section 9 subsidy to Tenant Based Voucher assistance;

WHEREAS, each of the prescribed tools entails shifting properties from declining traditional public housing (Section 9) subsidy to some form of voucher (Section 8) support and involves the transfer of DCHA public housing property to another entity (even, potentially a DCHA affiliate);

WHEREAS, DCHA's Board of Commissioners acknowledges that without immediate action supported by a significant infusion of capital, the overwhelming share of DCHA's units quickly will become uninhabitable, or will reach such a level of disrepair as to threaten their long term viability;

WHEREAS, DCHA's Board of Commissioners continues to be concerned that, without sufficient safeguards, employing HUD's prescribed repositioning tools could result in: potential loss of tenants' rights and protections in shifting from public housing (Section 9) regime to HCVP (Section 8) regime; loss of DCHA control of its real property (and its economic value) to development and/or financing partners; potential loss of long term affordability for extremely low income households; and potential loss of housing, or degradation of quality of life among public residents subjected to third-party, private sector managers;

WHEREAS, DCHA's Board of Commissioners acknowledges that, notwithstanding these concerns, the best options for raising the capital necessary to address the physical needs almost certainly will involve one or more of the tools, which would remove properties from DCHA's public housing inventory, and put them into an HCVP funding regime;

WHEREAS, in light of this reality, to guide to DCHA's efforts to address the needs of its portfolio, and ensure that all future redevelopment and major rehabilitation activities the Board of Commissioners will reaffirm DCHA's commitment to the Redevelopment Principles established by Resolution 04-33, and augment the same with new principles and priorities;

WHEREAS, it is the intention of the Board of Commissioners that all future redevelopment and major rehabilitation activity will: maintain maximum protection of residents' rights; provide for one-for one replacement of any repositioned public housing units, including, in particular, units affordable to the extremely low income (0-30% area median income); maintain control of DCHA's real property (and/or its economic value); and maintain the quality of life of residents at redeveloped properties;

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WHEREAS, the Board of Commissioners shall evaluate repositioning development proposals on the basis of, among other things, such proposals' consistency with the Principles and Priorities set forth in Exhibit A, attached to this Resolution 19-01, and by this reference incorporated herein; and

WHEREAS, to ensure DCHA's consistency with the above-mentioned Principles and Priorities, and that the Board of Commissioners has sufficient information to provide appropriate oversight of significant portfolio repositioning, the Board of Commissioners shall require that Executive Director make portfolio repositioning recommendations and proposals to the Board of Commissioners in the format, and containing the information, set forth in Exhibit B, attached to this Resolution 19-01, and by this reference incorporated herein.

NOW THEREFORE, BE IT RESOLVED, Board of Commissioners hereby adopts Resolution 19-01 to:

1. Affirm that, based upon a comprehensive review of DCHA's public housing portfolio, including consideration of historic REAC scores, urgent action is required to address conditions that could threaten the health and safety of residents and undermine the long term viability of the units.
2. Affirm that, in light of the Federal Government's historic defunding of public housing operating support and capital funding, the most effective, available tools for addressing immediate conditions, and insuring longer term financial and physical viability would involve shifting properties from traditional public housing subsidy (under Section 9) to a voucher (HCVP) funding platform (under Section 8), including, e.g.: RAD; Section 18 Demolition/Disposition; Voluntary Conversion; and Declaration of Trust release (or various combinations) .
3. Affirm that, notwithstanding a shift in the funding from a traditional public housing platform, DCHA remains committed, in particular, to housing the extremely low income (0-30%), and expressly defines affordable housing for DCHA purposes to include housing for extremely low income individuals.
4. Adopt the Principles and Priorities set forth in Exhibit A hereto, which expressly update and reaffirm DCHA's Redevelopment Principles as set forth in Resolution 04-33.

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5. Adopt the guidance for DCHA Board of Commissioners oversight of redevelopment and major rehabilitation activity in connection with the DCHA's repositioning of its public housing portfolio, as set forth in Exhibit B.
6. Direct the Executive Director to take all necessary steps, in accordance with this Resolution 19-01, with respect to all units for which DCHA has determined that *extremely urgent* action is required, to prepare and present to the Board of Commissioners: (i) within thirty (30) days of the date hereof, a report generally outlining properties identified for repositioning, specific repositioning methods under consideration, and proposed timelines for making necessary applications to HUD; and (ii) by May 1, 2019, a detailed plan for the repositioning of all such units.

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ADOPTED by the Board of Commissioners and signed in authentication of its passage on the 17th day of January 2019.

ATTEST:

APPROVAL:

Tyrone Garrett
Executive Director/Secretary

Neil Albert
Chairman

APPROVED AS TO FORM AND LEGAL SUFFICIENCY

Kenneth S. Slaughter
General Counsel

EXHIBIT A

DCHA Portfolio Repositioning Principles and Priorities

The Board of Commissioners shall evaluate repositioning development proposals on the basis of, among other things, such proposals' consistency with the following principles and priorities:

1. When using available repositioning tools, including such tools as shift properties from traditional public housing subsidy (Section 9) to a voucher platform (Section 8), to undertake the redevelopment and/or major rehabilitation of existing public housing properties, DCHA shall prioritize properties with the most significant physical needs, and prioritize redevelopments that produce greatest long term financial and physical viability.
2. Where conditions a public housing property are such that continued occupancy would pose an immediate threat to the health and safety of residents, DCHA may pursue a strategy of immediate relocation with vouchers, or to available, safe public housing units and demolition.
3. DCHA shall maintain ownership of the fee interest in its real property (directly or indirectly) that is subject to redevelopment (*e.g.* ground lease to developer entity).
4. DCHA, to the maximum extent financially feasible, shall self-develop its redevelopment properties, including maintaining a controlling interest in any Low Income Housing Tax Credit ("LIHTC") development entity.
5. To the extent that DCHA determines that self-development is financially infeasible and or otherwise not advisable, DCHA shall seek to procure development partners that: have strongest alignment (organizational and financial) with DCHA's mission of providing decent, safe and affordable housing; and will structure deals that allow for maximum reinvestment of the economic benefit of any deal into the production of affordable housing units, or other support of DCHA's mission.
6. DCHA will ensure one-for-one replacement of redeveloped public housing units with units that are affordable to very low income individuals (0-30% area median income), including non-public housing units.
7. DCHA shall prioritize redevelopment/rehabilitation of properties where unit conditions present potential threat to resident health and safety.
8. DCHA, to the extent financially feasible, shall manage redeveloped properties.
9. DCHA shall ensure that, to the maximum extent legally allowable, no conversion of properties from Section 9 subsidy to a Section 8 platform will result in the diminution of any material rights or protections of residents.
10. DCHA reaffirms its commitment to the Redevelopment Principles articulated in DCHA Board of Commissioners Resolution 04-33.
11. In the event of any conflict between the Redevelopment Principles articulated in DCHA Board of Commissioners Resolution 04-33, and the Principles and Priorities outlined in this Resolution 19-01, the Principles and Priorities outlined in this Resolution 19-01 shall control.

EXHIBIT B

Guidelines for Board of Commissioners' Oversight/Evaluation of Property Repositioning Proposals

DCHA's Executive Director shall make portfolio repositioning recommendations and proposals to the Board of Commissioners in the following format:

1. **Applications to HUD for RAD Conversion or Section 18 Disposition/Demolition of Public Housing Properties** – In accordance with historic practice, and applicable HUD regulation, all applications to HUD for any form of “inventory removal” (removal of properties from public housing, including: RAD; Demolition; Disposition) shall be authorized by action of the Board of Commissioners. The Executive Director shall present a resolution, which describes comprehensively: the proposed action; any required consultations with residents; proposed redevelopment/major rehabilitation plans (including estimated timelines); details of any proposed resident redevelopment; and any preliminary financing and design plans related to proposed redevelopment.
2. **Financing Plans** – Any financing plan created in connection with any inventory removal action shall be authorized by action of the Board of Commissioners. The Executive Director shall present a resolution, which describes comprehensively: DCHA's proposed financing of any redevelopment, and/or major rehabilitation action, including the overall budget for such activity; any known terms of debt and/or equity financing, including any commitments; and, to the extent known, DCHA's (or any DCHA owner/developer entity's) ownership interest in the planned redevelopment.
3. **Redevelopment/Major Rehabilitation Plans** – All redevelopment and/or major rehabilitation plans, in connection with any redesign, rezoning or significant alteration of DCHA public housing property, including any proposed changes in density, shall be authorized by the Board of Commissioners.
4. **Financial Closing/Evidentiary Documents** – Execution of financing and related documents in connection with any closing of financing for redevelopment and/or major rehabilitation activities shall be authorized by the Board of Commissioners. The Executive Director shall present a resolution, which summarizes comprehensively: key business terms of any financing documents; key terms of any joint venture agreements with any development partner, including a detailed explanation and justification of any instance in which DCHA, or an affiliate of DCHA has less than controlling interest; the proposed management of the redeveloped property, including a detailed explanation of any instance when DCHA will not be primary manager of the property; the key terms of any guaranties to be executed by DCHA and/or any DCHA affiliate; and the key business terms of any conveyance of DCHA property, including DCHA's post conveyance interest in the real property, and a detailed explanation and justification of any conveyance of DCHA's fee interest in its real property.
5. **Deal Summary Template** – The Executive Director shall prepare for approval by the Board of Commissioners a standard template for a Summary of Property Repositioning Deal Terms, which will provide standard background for Commissioners' consideration in connection with each proposed redevelopment or major rehabilitation.