COALITION FOR NONPROFIT HOUSING & ECONOMIC DEVELOPMENT

AN AFFORDABLE CONTINUUM OF HOUSING… KEY TO A BETTER CITY

CNHED

AN AFFORDABLE CONTINUUM OF HOUSING – KEY TO A BETTER CITY

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About the Coalition for Nonprofit Housing and Economic Development (CNHED)

The Coalition for Nonprofit Housing and Economic Development is a 501(c)(3) umbrella membership organization that supports the nonprofit housing and economic development sector in Washington, DC. Our members include a broad spectrum of community development corporations, nonprofit and for-profit affordable housing developers, special needs housing and service agencies, consultants, lenders and government agencies. Our mission is *to strengthen and support the ability of nonprofit community development organizations to improve the quality of life in the District of Columbia's neighborhoods through advocacy, information sharing, training, capacity building, research and communications.*

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CNHED's Board of Directors is acknowledged for their support for the *Continuum of Housing* initiative, one part of which is the publication of this paper. For a complete list of Officers and Directors on the Board of Directors, please refer to the inside back cover.

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Table of Contents

Executive Summary

PUBLIC DISCOURSE often treats "affordable housing" as a one-size-fits-all commodity or a statistic. Housing developers and government officials speak about the number of affordable "units" produced, and researchers reference the number of "households" needing those units. But the reality of affordable housing is much more nuanced and personal. Housing needs vary not only by family composition but also by neighborhood — and the same solution does not and should not be applied in every circumstance.

In this paper we examine the various types of affordable housing options and programs needed to meet the differing needs of District of Columbia residents and their neighborhoods. We refer to this full range of housing options — from emergency shelters to conventional homeownership and everything in between — as the *Continuum of Housing*. Within the Continuum of Housing we explore three major types of affordable housing: supportive, assisted rental and assisted homeownership.

It is the premise of this paper that housing is fundamental. It is the foundation of a good life for individuals and families and the bedrock of stable and healthy neighborhoods. We refer to these neighborhoods as *Neighborhoods of Opportunity*, because they have a solid foundation of decent affordable housing that offers individuals and families who live there the opportunity to thrive. Without this foundation residents are set up to fail along with their neighborhoods.

Creating and preserving opportunity and diversity, preventing involuntary displacement and providing an affordable *Continuum of Housing* is vital to residents' well-being, the health of neighborhoods and the quality of life for the entire city. Thus the key to a better city is to provide a *Continuum of Housing* with housing options for all residents at a price they can afford.

THE CONTENTS OF THIS PAPER ARE AS FOLLOWS:

Chapter I states the importance of affordable housing in the lives of residents and their neighborhoods.

Chapter II defines and describes the need for affordable housing in DC.

Chapter III explains the types of affordable housing in the *Continuum of Housing* and the programs available to produce and preserve these various housing types.

Chapter IV profiles three DC neighborhoods at various stages of development and examines the role of the *Continuum of Housing* and the *Network of Public and Private Partners* in each.

Chapter V includes recommendations on adopting an overall policy framework for providing affordable housing and spells out specific recommendations for increasing local funding support for five key program tools. This chapter also includes recommendations for improving the delivery system for affordable housing.

KEY FACTS:

- 47,500 households had severe housing burdens in 2007, spending half or more of their income on housing. More than 26,000 households are currently on the waiting list for public housing or housing vouchers.
- A resident of the District earning a minimum wage of $8.25 per hour would need to work 153 hours per week to afford the 2010 fair market rent for a two-bedroom apartment.
- Local funding for affordable housing has been cut by a third in the last two years, one of the severest reductions in funding of any major DC program.
- The District's primary affordable housing production and tenant purchase tool, the Housing Production Trust Fund, is projected to end FY 2010 with less than $4 million in the Fund, with projects in the pipeline awaiting funding of more than $80 million.
- The FY 2010 budget for affordable housing is equal to only $1.33 out of every $100 of the District's locally funded budget.
- The Comprehensive Housing Strategy Task Force (CHSTF) issued a report in 2006 calling for an increase in local funding of affordable housing to $255 million, which is equal to $4.26 out of every $100 of local funding budgeted by the District for FY 2010.

KEY RECOMMENDATIONS:

Adopt Policy and Process Framework The District should adopt public policies and processes essential to providing affordable housing in the District of Columbia that will:

- Develop and sustain a *Continuum of Affordable Housing*
- Create and maintain *Neighborhoods of Opportunity*
- Engage a *Network of Public and Private Resource Partners*

Increase Local Funding The District should raise the priority level of affordable housing in its locally funded budget by dedicating $255 million, or $4.26 per $100, to that purpose as recommended by the Comprehensive Housing Strategy Task Force versus the $80 million, or $1.33 per $100, it currently spends.

Strengthen Locally Funded* Continuum of Housing *Program Tools
The District should use this increased local funding to strengthen five major affordable housing program tools: Housing Production Trust Fund, Home Purchase Assistance Program, First Right Purchase Assistance Program, Local Rent Supplement Program and Housing First Fund. This paper proposes a five-year action plan for each of the program tools to reach the $255 million level of total funding recommended by the Comprehensive Housing Strategy Task Force.

Improve Practices and Process The District should facilitate the efficient and effective use of limited public resources by improving the delivery system for affordable housing. It should:

- Implement the Comprehensive Housing Strategy Task Force recommendations
- Improve practices for financing affordable housing
  - Improve interagency coordination
  - Recognize appropriate role of public financing
  - Streamline and expedite financing and progress payments
- Increase transparency
- Modify polices and practices of homeownership programs

The recommendations contained in this paper should serve as a useful guide to public policy makers in shaping the future funding and delivery of an affordable Continuum of Housing in the District of Columbia for the benefit of all of its residents. Only when District residents and our political leaders embrace this vision for our city as a true priority, however, can we hope to achieve it.

Introduction – Background and Purpose of this Paper

THE PUBLIC POLICY ROLE in producing and sustaining the affordability of *a decent home in a suitable environment* — our national housing goal[1] and one of our most basic personal and societal needs — is the overarching context of this paper. In that context, this paper is focused on *affordable housing* in the District of Columbia and, more particularly, the varieties of housing that constitute the affordable segment of the *Housing Continuum*, which is essential to successful neighborhoods across our city. In this paper, we refer to socially and economically healthy neighborhoods with a *Continuum of Housing* that meets the needs and means of their residents as *Neighborhoods of Opportunity.*

PHOTO BY JAMIE ROSE

Residents of Ontario Court and Jubilee Housing staff express thanks for newly renovated affordable apartments.

This paper examines the public and private resource and policy challenges that risk our collective capacity to achieve and sustain an adequate *Continuum of Affordable Housing* in a cyclical economy. As this paper is written, the nation and our city are being profoundly affected by a cycle of severe contraction in public and private sources of capital and credit and in charitable resources available to bridge the housing affordability gap for individuals and families of extremely low to moderate income.

Housing can be understood as a *continuum* based on a number of linked variables. Perhaps the variables to which we can most easily relate are *cost*, whether expressed as rent or purchase price, and *income,* or our ability to afford to pay the costs of housing. The variables of cost and income are equally relevant for our personal budgets as homeowners and renters as they are for the financial pro formas of housing providers. Those variables determine whether the market relationship between housing providers and housing consumers work efficiently, which is to say whether they work without any third-party assistance. As housing consumers, our income and the cost of housing, coupled with our particular housing needs, determine our ability to afford suitable shelter (without direct assistance from government or charitable sources) among the choices along the housing continuum. The harsh reality for most low income residents is that the housing continuum offers few, if any, decent affordable choices without assistance.

A core premise of this paper is that the District's policies of investment in housing, as much as in economic development, impact the success of neighborhoods as places of opportunity for positive life outcomes for residents — especially neighborhoods with families with children in poverty. If so, public policies and budget priorities need to intentionally assure the sustainability of key housing programs already committed to the production and preservation of affordable housing. They are the District programs designed to meet the variety of special needs and circumstances of residents with inadequate income to compete for unassisted market-rate housing.

A rich variety of federal and District programs has been created over the years to bridge the affordability gap for low income households up to 80 percent of Area Median Income on the income continuum. The District has a full range of federally and locally funded housing assistance programs, including some of the more innovative locally-designed programs[2] in the country. These programs finance the production of affordable housing for renters and homebuyers, as well as support the operation of rental housing. Also linked to rental housing is an array of supportive service programs for the homeless, elderly and persons with special needs.

The 2006 report of the Comprehensive Housing Task Force set forth a broad range of recommendations which have informed the focus of this paper. In this paper, the Coalition for Nonprofit Housing and Economic Development (CNHED) sets forth actionable recommendations to better position the District government to manage the hard choices in times of severe resource scarcity, as is currently the case, as well as in more plentiful times. The recommendations are in the following areas:

- Program Policy and Design
- Administrative Processes
- Inter/Intra-Agency Program Coordination
- Resource Priorities

These recommendations are set in an overall public policy framework for the program resource allocations and operations improvements that are central to assuring that basic housing needs are met and that the quality of life in our neighborhoods is enhanced by a sustained commitment to those programs. The framework is built on three strategically linked components:

- Creating *Neighborhoods of Opportunity*
- Developing and Sustaining a *Continuum of Housing*
- Engaging the *Network of Public and Private Resource Partners*

CNHED is grateful for the generous support of The Morris and Gwendolyn Cafritz Foundation in making the research, writing and publication of this paper possible. It is hoped that this paper will serve as a useful guide to policy makers who impact the lives of all who live in the District of Columbia.

Chapter I – Our City, Neighborhoods and the Housing Continuum

THE STATE OF HOUSING and the range of housing choices in the District are a reflection of the public policies that underpin our commitment as a community to the importance of *a decent, safe, sanitary and affordable living environment for every American* — our national housing goal first set forth in the Housing Act of 1949 and reaffirmed in the National Affordable Housing Act of 1990. In urban places, our *living environment* is our *home* and our *neighborhood.*

The Nation's Capital — a City of Neighborhoods

Neighborhoods define the character of a city. The Nation's Capital is no exception. Monumental Washington defines our city for visitors and others looking from a distance. For residents, however, it is their neighborhood that counts. Neighborhoods are where we find community and, hopefully, a sense of personal identity and pride through our connectedness to the people, services and places that define where we conduct our daily lives.

Neighborhoods are where we find many of the opportunities that shape our lives — especially the lives of young people. Too often neighborhoods with high poverty are deficient in the opportunities that can produce positive social, economic, educational and health outcomes for their residents. Such outcomes not only directly affect the people of those neighborhoods, but also the larger community of the District of Columbia.

The "Housing Element" of the *District's Comprehensive Plan*[3] is devoted to "the importance of housing to neighborhood quality in the District of Columbia and the importance of providing housing opportunities for all segments of our population." The Office of Planning cites in the Plan the following "critical housing issues facing the District of Columbia..."

- Ensuring housing affordability
- Fostering housing production
- Conserving existing housing stock
- Promoting home ownership
- Providing housing for residents with special needs

The recommendations of the Office of Planning for addressing the above housing issues are informed by the research and recommendations of the Comprehensive Housing Strategy Task Force.

The Housing Continuum in the District's Neighborhoods

Neighborhoods are largely defined by the physical and aesthetic character of their housing. Housing is first and foremost shelter and sanctuary for its residents — not the dehumanized investment commodity that dominates much of the contemporary conversation about the local housing market. Architectural styles and types of housing tell the story — past and present — of the social and economic development of a neighborhood. Physical condition reveals much about the current economic circumstances and well-being of its residents. And, the range of housing types reveals much about the people who live there.

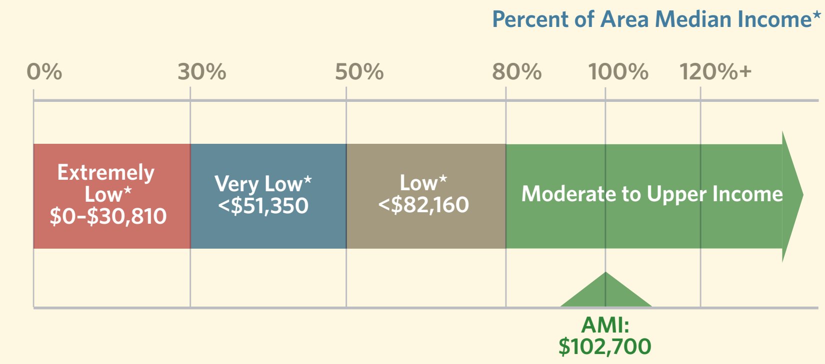
Housing is both a physical and psychological anchor that is essential to the stability of our personal and communal lives. However, for too many, housing is a source of stress due to its cost and uncertainty, whether as renter or owner. For many of our homeless population, which includes working families with children, the lack of a stable, secure home is the primary destabilizing aspect of their lives. Inadequate and substandard housing is a primary contributor to the higher incidences of mental and physical health problems — and related public costs — found among children and adults living in poverty.[4]

The promise of the U. S. Housing Act recognizes the importance of a decent home for everyone as a public good. That promise has been reaffirmed in housing law over the years since. Federal and District government polices have the proposition that everyone should have decent shelter across the *housing continuum* through a variety of direct and indirect subsidies.

Over the years federal housing policies and programs have been sought to address both the need for decent affordable shelter and the need for supportive services linked to housing for the lower income segment of society. Although specific categorical programs have come and gone over the years, the programs have consistently been targeted to household income groups defined by the U.S. Department of Housing and Urban Development (HUD) based on annually adjusted area median income (AMI) calculations set for each metropolitan area. The AMI is the standard income reference point used by HUD for setting eligibility limits for its various housing programs. The Washington, DC AMI, for the purpose of calculating eligibility for both HUD and DC government housing programs, is based on the household median income of the local metropolitan area, which includes the District of Columbia, plus 13 surrounding counties and six cities.[5]

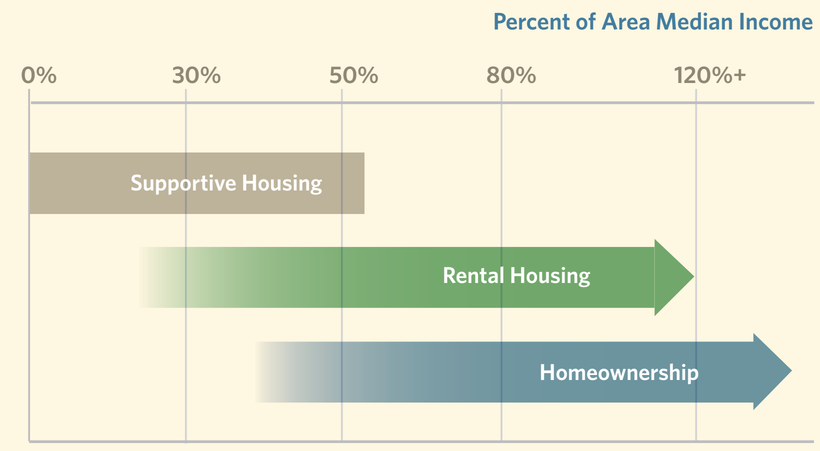
The chart at right (Figure 1) shows the relationship between the key variables that define HUD and DC housing program eligibility limits by household income group. Eligibility for federal and District government housing assistance programs is generally limited to less than 80 percent of the AMI. Within that limit assistance is often targeted to particular income groups, categorized as Extremely Low Income (0–30% of AMI), Very Low Income (30–50% of AMI), and Low Income (50–80% of AMI). Income limits vary by household size ranging from one to eight persons.[6]

FIGURE 1. Continuum of Household Income Groups



* Income Groups as defined by the U.S. Department of Housing and Urban Development for federal housing programs. Median income amounts shown are for 4-person households. Different income limits apply for different households sizes. The Washington, DC AMI for a 4-person HH is for 2009.

FIGURE 2. Continuum of Housing Types by Household Income



The varieties of housing in a city constitute a *Continuum of Housing* (illustrated at right — Figure 2) that reflects the diverse range of needs and means of the city's residents. Likewise, a neighborhood can be defined by its *housing continuum* based on the varieties of housing within it and the demographic characteristics of its residents.

In this paper we refer to three primary types of housing: *supportive* (rental housing with essential resident supportive services), *rental* (without supportive services), and *homeownership*. A multitude of federal and District programs are available to subsidize the financing and/or operation of each housing type. *Supportive* housing is defined by being limited to persons with special service needs. Housing in this category is entirely dependent on subsidies from government programs or private charity and usually both. The *rental* and *homeownership* types, however, cover a range of incomes beyond those eligible for direct housing assistance. The discussion in this paper is focused on the *affordable segment* of the *Housing Continuum* that relies on the various federal and District government programs for either direct housing production subsidies or income subsidies.

Production subsidies are in the form of low cost loans, tax credit induced private equity, and grants. Income subsidies for renters are in the form of rent assistance payments made to landlords on behalf of income eligible tenants. In the case of homeowners, the income subsidies are in the form of downpayment assistance, low cost second mortgage financing and certain tax abatements.

Neighborhood-based Housing Continuum — a Public Policy Framework

The challenge for the District's policy makers is to move the Nation's Capital toward a vision of *Neighborhoods of Opportunity* for all residents across the city. *Neighborhoods of Opportunity* provide their residents with a strong sense of place, pride and connectedness. Such neighborhoods offer a *Continuum of Housing* choices suited to the needs and affordability of residents complemented by quality education and training facilities, convenient shopping and services, libraries, recreation facilities, secure streets and accessible transportation to jobs.

Central to this paper, therefore, is the premise that the *Housing Continuum* is the defining element of *Neighborhoods*

Ancillary Benefits of Housing

Stable affordable housing provides much more than simply shelter. According to a 2007 report from the Center for Housing Policy, affordable housing has ancillary benefits in individual and family mental and physical health, and in education achievement. Affordable housing reduces family stress by providing a stable place to live. For residents with chronic illnesses, stable affordable housing plays a key role in supporting consistent access to health services. Well-constructed and well-managed housing can reduce exposure to allergens and toxic substances, such as lead. Lower housing costs can free up family income for food and health-related expenses.

Affordable housing also provides a stable foundation for schooling. Children who are not subject to unwanted moves are able to stay in their schools without disruption to their education. Affordability can reduce overcrowding, resulting in less stress for children, which may lead to higher educational outcomes. Other positive health effects of affordable housing, like a reduction in allergens and lead, can also have positive educational effects. Finally, affordable housing developments that incorporate after-school programs may support higher educational achievement among children.

Source: Jeffrey Lubell, Rosalyn Crain, and Rebecca Cohen, *Vital Links: Housing's Contributions to the Nation's Health and Education Objectives,* Center for Housing Policy, 2007. http://www.nhc.org/housing/intersections

Affordable homeownership specifically may also lead to positive outcomes in education and wealth building. According to a 2009 Pew Charitable Trusts study on economic mobility, homeownership is the most significant way that Americans build wealth, and this is particularly the case for low income families that are able to become homeowners. Children of parents who own their homes have higher educational attainment than children of renters; the difference in educational attainment for children of homeowners and children of renters is particularly large for low income families.

Source: Principals of the Economic Mobility Project, *Renewing the American Dream: A Road Map to Enhancing Economic Mobility in America*, Pew Charitable Trusts, 2009.

of Opportunity. The quality of life in our neighborhoods is determined, in large part, by having a seamless continuum of quality housing that is well-suited to the financial means and physical needs of its residents. The neighborhood housing environment is a key determinant of the quality of life experience of our youth who are the reservoir of our future leadership. The policy decisions and investments made today by political, business and civic leaders are profoundly important for the outcomes of the next generation and the future quality of life in the neighborhoods of our city.

The *DC Housing Continuum* and *Neighborhoods of Opportunity* concepts are central to a place-based policy framework for public and private investment planning and decision-making. The *Neighborhoods of Opportunity* vision for the District complements the *Choice Neighborhoods Initiative* (CNI) announced by the Obama Administration in 2009. The national vision for *Choice Neighborhoods* is centered on transforming neighborhoods impacted by distressed public housing into attractive choices for new residents. Its emergence as a national policy is a validation of the timeliness of CNHED's *Neighborhoods of Opportunity* vision for the District's neighborhoods.

As envisioned by HUD Secretary Shaun Donovan, CNI will provide grants "to help public, private and nonprofit partners extend neighborhood transformation efforts beyond public housing — as they are already doing on their own, in spite of the fact that their government is often a barrier."[7]

Drawing on lessons learned from the HOPE VI Program, the HUD initiative is being rolled out as a fresh approach that would broaden the scope of revitalization efforts beyond distressed public housing properties "to create a geography of opportunity" in the surrounding communities. Dr. Susan Popkin of the Urban Institute Testifying on the initiative stated, "However, if this new effort is to be more successful than its predecessor in improving the lives of the vulnerable families who suffered the worst consequences of living in distressed public housing, it is essential that it incorporate strategies that effectively address their needs."[8]

In discussing the HUD initiative, Secretary Donovan cited the District's Washington Highlands neighborhood as an example where private partners Community Preservation and Development Corporation and Enterprise Community Partners — both CNHED members — played a key role in achieving the redevelopment outcomes funded by HUD. It is encouraging that the Obama Administration, in citing this example, is continuing the federal policy of relying on a network of public and private nonprofit partners to achieve its investment outcomes and to fulfill the national housing goal of developing and preserving safe and affordable housing in healthy neighborhoods.

The HUD initiative is expected to be limited to a few neighborhoods. If implemented, CNI will be a complement to — not a substitute for — the CNHED *Neighborhoods of Opportunity* vision, which is focused on developing and sustaining a *Continuum of Affordable Housing* and services that meet the needs of the residents currently living in neighborhoods throughout the District.

SUPPORTIVE HOUSING:

Shamekia Murray's Story

SHAMEKIA MURRAY is on a journey to a home of her own. The child of drug addicts, Shamekia and her brothers were adopted by their grandparents. After her brothers turned 18 and moved out, Shamekia's grandmother had to move to a one bedroom apartment, which left Shamekia and her son Christian with no room of their own, and sleeping on a sofa. Fortunately, Shamekia's employer referred her to the Virginia Williams Center, which in turn referred her to **Transitional Housing Corporation** (THC).

Shamekia's case manager recognized that she and her son would benefit from living in Partner Arms housing. THC's Partner Arms transitional housing facilities provide stable housing and wraparound supportive services to each family in the program; families transition to permanent housing after a two-year period. Partner Arms residents must exhibit a strong desire to make drastic changes in their lives in order to succeed. Since moving to a Partner Arms home in October 2009, Shamekia has been very busy.

Shamekia Murray and her son, Christian.

Shamekia has very definite goals and dreams. She says, with conviction, "I will become a registered nurse. It is not just a dream — it will be a reality in the very near future." Shamekia's goal is to work in the addiction and prevention nursing field. She meets monthly with THC's Employment Coordinator to discuss any issues or concerns she may have regarding her employment and education goals, and in order to increase job retention, she participates in workshops to address employment challenges.

Shamekia's determination is evidenced by her active participation in many of THC's programs and services. She is attending the parenting classes and working with the adult therapist. In addition, her son attends the weekly Youth Enrichment Program, including Right to Read, and is working with the child therapist to deal with issues that were affecting his school work. Christian is now doing much better in school, and is no longer "acting out." Shamekia says of Christian, "In just four months, he is like a different child!"

"After a long day at work, it's nice to come home to my own place, fix a good dinner, and help my son with his homework."

— *Shamekia Murray*

THC has provided Shamekia and Christian with a real home. "Having a home is so important," Shamekia says. "After a long day at work, it's nice to come home to my own place, fix a good dinner, and help my son with his homework. My son is doing better in school and I don't have the added stress of making sure that he and I are in a stable environment. I can't thank THC enough for giving me this opportunity to make true changes in my life."

The Network of Public and Private Resource Partners — the "Third Leg" of the Housing Policy Framework

The District's *Neighborhoods of Opportunity* and *Continuum of Affordable Housing* policy framework, like the federal policy, relies on a *Network of Public and Private Resource Partners*. The District government combined with the local network of affordable housing production partners is an ever-widening circle of resources that links developers and financers of housing, as well as supportive service providers, to meet the specialized housing and supportive needs of the different segments of the population.

The nonprofit component of the network constitutes the heart of the capacity to produce and operate the varieties of assisted housing needed to meet the needs of the District's low income residents, especially for persons with disabilities and special needs. The respective capacities of the nonprofit and mission-driven for-profit developers are more complementary than competitive alternatives to meeting the full spectrum of housing needs. Each has access to resources not available to the other. In some cases, the success of affordable housing can be strengthened by the partnering of nonprofits and for-profits in its development, ownership and operation. Nonprofit and for-profit lenders also play a key role as co-financers with government to produce affordable housing. Many other network partners, such as housing counselors, consultants, attorneys, architects and contractors add to the rich mix of skills needed for the successful production of affordable housing.

The *Housing Continuum* and the goal of *Neighborhoods of Opportunity* across the city would not be complete without the larger-scale development initiatives that are part of the District government's strategy to attract for-profit developers to several major sites for redevelopment and new development. These projects are centered on large publicly-owned land assemblies that provide the potential for creating new neighborhoods and re-creating others. Affordable housing is a component part of the scope of these mixed development projects which are expected to be economically assisted by concessionary pricing of public land and government capital investment in infrastructure improvements. These projects are described under New Initiatives in Chapter IV.

The following chapters explore the implications of the policy framework introduced above for District of Columbia government allocation of housing resources and the role of the private sector — for-profit and nonprofit — in the production, preservation and sustained operation of a *Continuum of Affordable Housing* that meets the diverse needs and financial means of the District's residents, while also creating opportunities for social and economic mobility.

PHOTO BY JAMIE ROSE

From a keynote address on the future of urban revitalization at the National Press Club during the Brookings Institution's event, "From Despair to Hope: Two HUD Secretaries on Urban Revitalization and Opportunity" National Press Club, Washington, DC, July 14, 2009

Home. It is the foundation upon which all of us build our lives, raise our children and plan for our futures. It's the building block with which we forge neighborhoods and put down roots.

If the crisis we find ourselves in today has taught us anything, it is that home is an essential source of stability – for our families, our communities and our country.

If a century of housing policy has taught us anything, it's that if there isn't equal access to safe, affordable housing, there isn't equal opportunity.

— Secretary of U.S. Department of Housing and Urban Development, Shaun Donovan

Chapter II —Affordable Housing and Housing Cost Burden Defined

THE DISTRICT'S HOUSING COSTS IN A CHANGING ECONOMY

The national economy during the 2008–09 period has been through a wrenching adjustment following the housing market excesses of the last decade. The combination of low interest rates, relaxed mortgage underwriting standards, and exotic mortgage products conspired to create unsustainable price levels in the homeownership market. In many urban markets, housing values have declined precipitously in the last two years as a result of job loss-driven foreclosures and concentrations of unaffordable subprime mortgages.

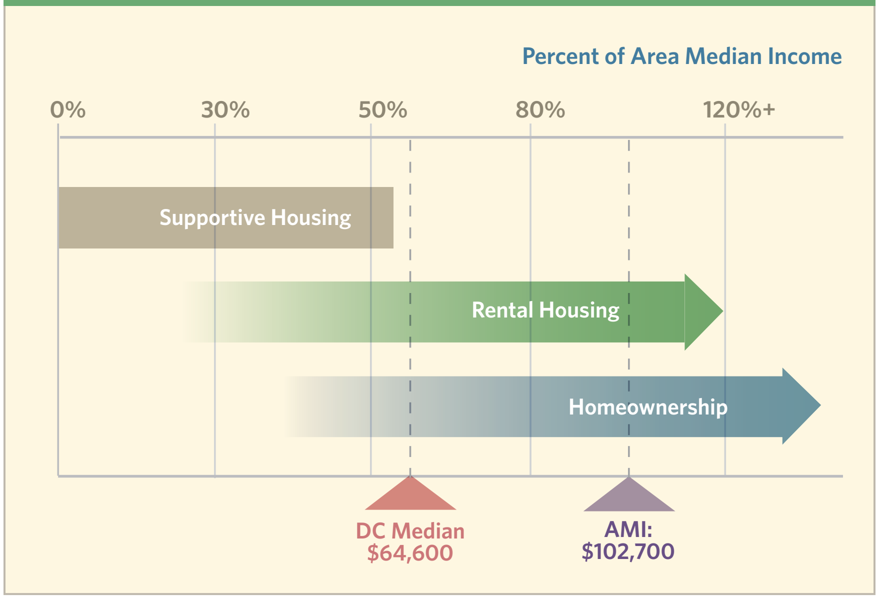
The District of Columbia has also been affected by the same conditions that contributed to the rise and fall in house values in other markets. However, after a doubling of the median house price to $414,000 from 2002 through 2007, the fall in prices since has been significantly less in the District than in other urban markets. During the same period rents also continued to climb. For example, the HUD Fair Market Rent (FMR) for a two-bedroom unit increased by 36 percent to $1,286[9], while the supply of affordable private rental declined as a result of condominium conversions. The DC Fiscal Policy Institute estimates the rental housing stock declined an estimated 8,000 units to 132,700 between 2000 and 2007, as owner-occupied units increased by 16,000 units to 111,000 during the same period.[10] Although a reversal of market dynamics is currently underway in a few neighborhood submarkets, the two-bedroom FMR has continued to increase another 16 percent to $1,494 for HUD rent assistance programs in 2010.[11]

As the credit markets began to tighten in 2008, the conversion of multifamily rental housing units to condominiums also slowed. Many conversion projects under construction were forced by market conditions and lenders to open as rental operations with the prospect of condominium sales postponed to a future when the real estate and credit markets were considered more favorable for sales. The results of this situation have been to help sustain existing condominium values (due to a reduced supply) and to increase the number of units in the rental supply, although at rents in the upper ranges for fully renovated or newly built properties. This increase in the number of higher priced rental properties in locations convenient to Metrorail has coincided with an increase in demand generated by well-paid young professionals (without children) who are deferring purchasing and affluent empty-nesters who are no longer interested in owning.

The continuation of these trends will likely put more of the District's private housing supply beyond the reach of low income residents without direct public assistance.

The DC Housing Authority's HOPE VI Capitol Gateway townhomes include affordable homeownership and rental units mixed with market rate for-sale housing.

FIGURE 3. Continuum of Housing Types Compared to DC Median Income and Area Median Income



The fact remains that, despite the current high unemployment affecting mostly the poorest residents, the District's relatively stable professional job market with its higher paying jobs and net population growth combine to sustain pressure on rents and on housing prices albeit currently at slightly lower price points than before the recent decline in the economy. The District's modest decline in house prices in the current down phase of the economic cycle is a necessary rebalancing of the relationship between household incomes and prices. However, without government subsidies, the cost of basic, decent housing is beyond the reach of an estimated 80,300 "low income" households whose incomes range up to 80 percent of AMI and whose housing costs exceed 30 percent of their household income (Figure 5, p. 16).

The current economic downturn has exacerbated the housing affordability gap for many in the District as indicated by the increase in the unemployment rate from under 6 percent in 2007 to nearly 12 percent by late 2009. During this period, more than 13,000 residents had lost their jobs — the highest rate of unemployment in 25 years.[12] This has increased the number of homeless families and the demand on emergency shelters and other more suitable sources of affordable housing. A concurrent indicator is the rise in food stamp recipients to more than 100,000 — the highest number in 20 years.[13]

Household Income — the Key to Housing Assistance

The annual household income levels that determine eligibility for federal and DC government housing assistance programs are based on the *Area Median Income (AMI)*. The AMI for a 4-person household

TABLE 1. Examples of Occupations in DC by Income Group

HUD-Program Income Categories	Percent of Area Median Income	4-person Household Annual Income	Examples of Occupations
Extremely Low Income	At or Below 30%	$0 - $30,800	food preparation worker; cashier; home health aide; parking lot attendant
Very Low Income	30% to 50%	$30,801 -$51,350	licensed nurse; security guard; social worker; high school teacher
Low Income	50% to 80%	$51,351 - $82,100	accountant; fire fighter/police officer; paralegal; plumber
Moderate / Middle Income	80% to 120%	$82,101 - $123,200	school principal; health services manager; senior police/fire officer; financial manager; human resources manager

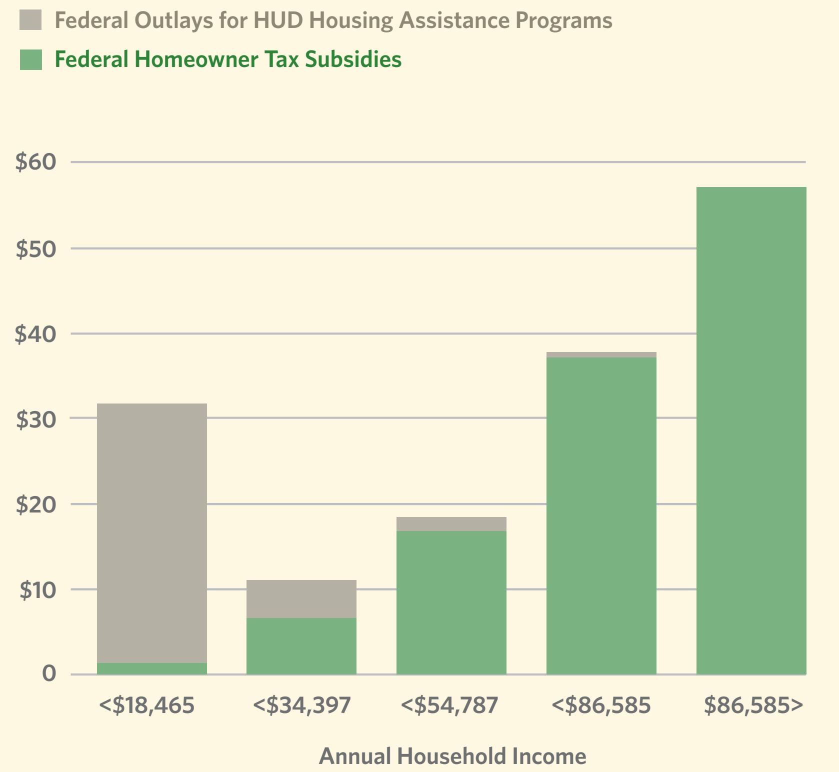
Source: Bureau of Labor Statistics, State Occupational Employment and Wage Estimates, District of Columbia, 2008 is the standard indicator for comparative purposes and reporting income change over time.

An AMI schedule, calculated and published annually by HUD, determines the limits of income eligibility by household size for federal and District government housing programs that subsidize the cost of housing for both renters and home buyers (see Endnote 6). The *area* in AMI refers to the metropolitan area, which, in the case of the District includes adjacent Maryland and Virginia suburbs. Those suburbs include five of the ten wealthiest counties in the nation.[14] As a result, the AMI applicable to the District is one of the highest in the nation. Expressed as the median income of a 4-person household, the 2009 AMI is $102,700. Eligibility for federal and District government housing assistance programs is generally limited to households with incomes up to 80 percent of the AMI, $82,160 for a 4-person household. By way of contrast, HUD's estimate of median family income for the District of Columbia (DMI) for 2009 is $64,600.[15]

This disparity between the AMI and the DMI has significant policy and resource allocation implications for the District's affordable housing programs. If the District limited housing assistance to households with incomes at 80 percent of the DMI, 4-person households earning more than $51,680 would not be eligible for assistance. As a consequence approximately 16,400 "low income" households currently eligible for most housing assistance programs (with incomes between 50 and 80 percent of AMI) would no longer be eligible for assistance, including many "low income" first-time homebuyers (Figure 3, p. 12).

Table 1, at left, shows the correlation between different occupations and the current AMI-based income eligibility groups defined by HUD and used by the District for housing assistance eligibility.

FIGURE 4. Housing Subsidy Distribution by Income Quintile in US—2004



Source: Cushing N. Dolbeare, *Changing Priorities (The Federal Budget and Housing Assistance 1976-2005)*, The National Low Income Housing Coalition, 2004

Affordable Housing — A Definition

The term — *affordable housing* — is synonymous with "assisted housing," and "subsidized housing," and "public housing." Our society tends to have negative reactions to the sound of the synonyms. For housing advocates, their use can be a barrier to constructive conversations with policy makers resistant to the idea of housing subsidies, to say nothing of the public cost.

Affordable housing, on the other hand, frames the issue in a way that policy makers can relate to as a societal good, because, after all, we all want to be able to afford housing that suits our needs. *Affordability* was added to our national housing goal in the National Housing Affordability Act of 1990. The irony of our contemporary vocabulary is that, if *affordable housing* is a euphemism for *subsidized housing*, we all live in affordable housing thanks to a national housing subsidy system that benefits residents at all income levels, especially those with the highest incomes, as illustrated in the above chart of 2004 data for the U.S (Figure 4).

For the poor, most of the subsidies are direct payments, such as rent assistance, that are based on demonstrated financial need. Whereas, the financially well-off benefit from indirect subsidies that are not subject to a financial needs test, but they are no less substantial than for the poor. In

DC Habitat volunteers at work on Northeast Parcel development

fact, the tax code subsidies to middle and upper income homeowners far exceed the government housing subsidies for the poor.

By 2009, for example, the White House Office of Management and Budget projected that the three largest tax breaks for homeowners would cost the U.S. Treasury $142 billion, up from $119 billion in 2004.[16] By comparison, HUD outlays in 2009 were projected to be about one-quarter as much or $33 billion for housing assistance programs.[17]

The widening disparity in federal subsidies between renter-occupied housing and owner-occupied housing along the *Housing Continuum* reflects the greater subsidy value of the mortgage interest and real estate tax deductions for progressively higher tax-bracket homeowners and the generally larger mortgages on their higher value homes. Furthermore, since the homeowner subsidies are foregone revenue rather than direct expenditures, they are not subject to the annual federal budget review and appropriations process. On the other hand, discretionary low income rental housing programs are subject to the annual budget process and became a lower priority in the federal budget over the last 30 years.

Although recent HUD budgets have tripled from the low points of the late 1980s, overall they had declined 65 percent from a peak of $83.3 billion in 1978 to $29.2 billion by 2006.[18] In the FY 2010 federal budget, spending authority for HUD discretionary low income housing programs is $47.5 billion or 1.4 percent of all federal outlays.[19] As a share of all non-defense discretionary spending, however, direct assistance for low income housing has declined more than 20 percent over the 1995 to 2008 period.

The overall decline in the federal outlay budget over the past 30 years coincides with a policy beginning in the 1980s to reduce the direct role of HUD in the production of assisted housing. In its place, the National Affordable Housing Act of 1990 ushered in a new block grant program — HOME Investment Partnerships. The HOME program, administered nationally by HUD, became the core funding strategy to support a shift to locally determined affordable housing production. In the District, the Department of Housing and Community Development (DHCD) is the lead agency for administration of the HOME program and the longer running Community Development Block Grant Program (CDBG).

This shift in affordable housing production policy and funding also marked the emergence of a decentralized network of resource partners[20] consisting of state and local governments, private nonprofit housing developers, banks, intermediaries,[21] foundations and financial institutions (including the GSEs[22]) working together to produce the varieties of assisted housing across the *continuum of housing*. The success of this approach depended on growth in the capacity of the private nonprofit sector to take a larger role in the production and operation of quality affordable housing suited to local population needs and markets. Debt and equity financing for the production of the housing relied on federal incentives, such as the CRA credits[23], and on other federal resources over which there was more local control, such as Low Income Housing Tax Credits and tax-exempt mortgage bond financing. The Section 8 Housing Choice Voucher program became the key to achieving and sustaining rent affordability and operational feasibility in assisted housing.

RENTAL HOUSING:

Garlinda Joyner's Story

WHEN MS. GARLINDA JOYNER moved to her Congress Heights apartment building in 1993, the neighborhood was rough. "This was the worst place you could be in," she says, describing the drug dealing, gambling and violence that surrounded her apartment. The units were spacious, but the owner was a slumlord. "I used to hate so bad for the summertime to come," Garlinda remembers. In the summer, the building's electricity would often go out, residents' food would spoil, and their insulin would go bad. And it was in the summer that violence would erupt outside their buildings. Garlinda tried to organize residents to withhold rent for one month in order to compel their management company to improve security, but none would sign. And none were interested in forming a tenants' association. "They were too scared," she says. "They were afraid they'd lose their units."

But in 2006, their building went up for sale. **Housing Counseling Services** staff had encouraged them to form a tenants' association, and this time they did, because they were fearful of losing their homes. The property — made up of seven buildings, about 120 units altogether — is located right across from Oxon Run creek and the park that surrounds it. Garlinda grew up in the neighborhood and attended Ballou high school. Though she had lived through difficult times in her building, she did not want to leave. "I knew affordable housing was very hard to get," says Garlinda, "and I was afraid I'd end up in another place where the bad stuff was happening again." She became president of the tenants association, and they decided to work with a development company that could take ownership of the property, renovate it and maintain it as an affordable rental for the current residents. "We were courted by at least eight development companies," Garlinda says, "Because this is prime property!"

Ms. Garlinda Joyner, president of Wheeler Terrace Tenants Association.

"I knew affordable housing was very hard to get and I was afraid I'd end up in another place where the bad stuff was happening again."
— Garlinda Joyner

The tenants chose to work with **Community Preservation and Development Corporation** (CPDC). "They were the only ones with community skills," says Garlinda, "and they were the only ones interested in involving the youth." Having raised two children, four grandchildren, and two great-nieces, Garlinda was particularly interested in a developer that considered the younger residents. CPDC bought the property and renovated it, and the last residents returned in January 2010. Today, programs at the site include music lessons and math tutoring for children. CPDC recently installed a playground, and is planning a community garden. Security guards are stationed at each of the three entrances to the complex, and children play happily inside the fences. "The neighborhood is a much safer place now," Garlinda says. "CPDC is my angel."

Housing Affordability in the District and the Housing Cost Burden

The generally accepted definition of *housing cost burden* is monthly housing costs (i.e., rent or mortgage payments, utilities and, if applicable, owner association fees) in excess of 30 percent of gross household income. This is the standard income-to-housing expense test that determines eligibility for direct government subsidy programs, such as the federal and District rent assistance programs administered locally by the D.C. Housing Authority.[24] Housing costs greater than 50 percent of monthly income is the threshold for *severe* housing cost burden. Although these income tests are used to determine eligibility for rent subsidies, it can also be said that many homeowners are also housing cost burdened, except for the homeownership subsidies provided by the federal and District Tax Codes. The Tax Code subsidies progressively reduce the effective cost of homeownership primarily for middle and upper income households. However, since the Tax Codes provide no subsidy for renters and very little to no benefit for low income homeowners, other forms of direct subsidy have been devised to reduce the housing cost burden for lower income households.

As reported by the DC Fiscal Policy Institute, out of an estimated 244,000 District households, the number burdened by the cost of housing across all income groups is estimated to be 98,400 — an increase of 20,000 households since 2007. This represents 40 percent of all District households. About 47,500 of those households are estimated to be *severely burdened* as a result of housing costs greater than 50 percent of their income.[25]

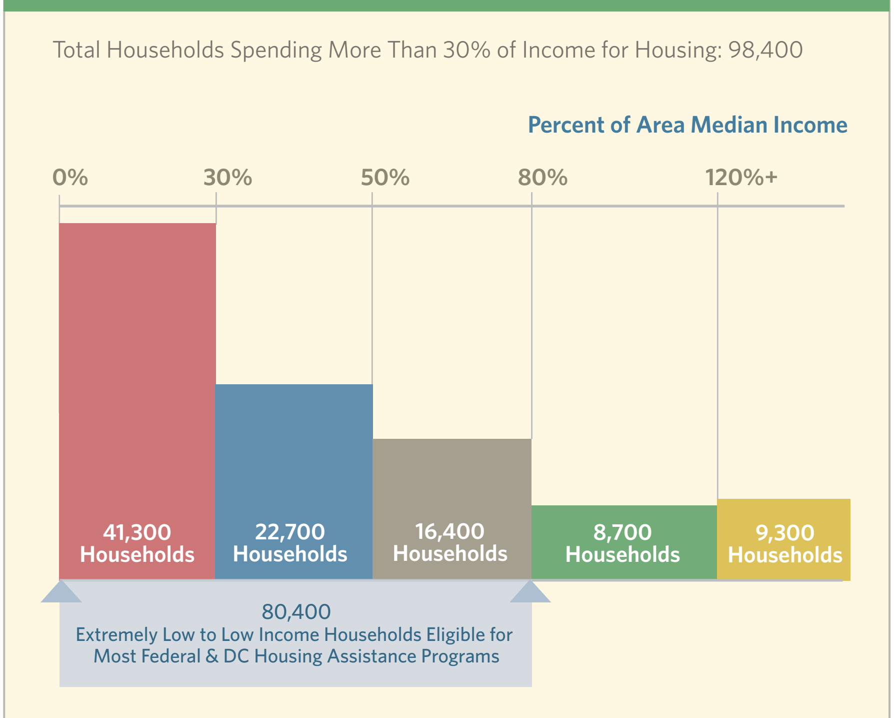
Based on US Census data,[26] a total of 80,400 households with incomes below 80 percent of AMI were housing cost burdened and eligible for housing assistance in 2007 (Figure 5). This included 44,300 low income families who spent more than 50 percent of their incomes on housing — a 25 percent increase since 2000.

In the moderate to middle income segment, approximately 8,700 or 9 percent of the cost burdened households are outside the eligibility for rental assistance, but may be eligible for home purchase assistance. A similar number of upper income households is outside the income eligibility limits for any current federal and District housing assistance programs.[27]

For 2010, the monthly Fair Market Rent (FMR) determined by HUD for a two-bedroom apartment in the District is $1,494.[28] This is the maximum two-bedroom rent HUD will pay to landlords participating in the Housing Choice Voucher Program. In order to afford this rent level (including utilities) within 30 percent of income, a household must earn $4,980 monthly or $59,800 annually.

The hourly wage equivalent is $28.73, which compares to the District's minimum hourly wage of $8.25. The differential is a measure of the housing affordability gap. A minimum wage renter of a two-bedroom apartment at the FMR level in the District would have to work 153 hours per week. Alternatively, a household would have to have 3.5 full-time minimum wage earners to afford the FMR within 30 percent of total household income.

FIGURE 5. District of Columbia Distribution of Housing Cost Burden



Source: U.S. Census Bureau, American Community Survey

Chapter III — Housing Types in the District's Housing Continuum

THE AFFORDABLE PORTION of the District's *Housing Continuum* covers households (both individuals and families) in the range of extremely low to moderate incomes whose housing choices and opportunities are the most limited. It is for this population group, especially homeless and at-risk families, that government priorities for investment in housing and neighborhood services have the greatest potential for positive life outcomes for neighborhood residents and the larger community.

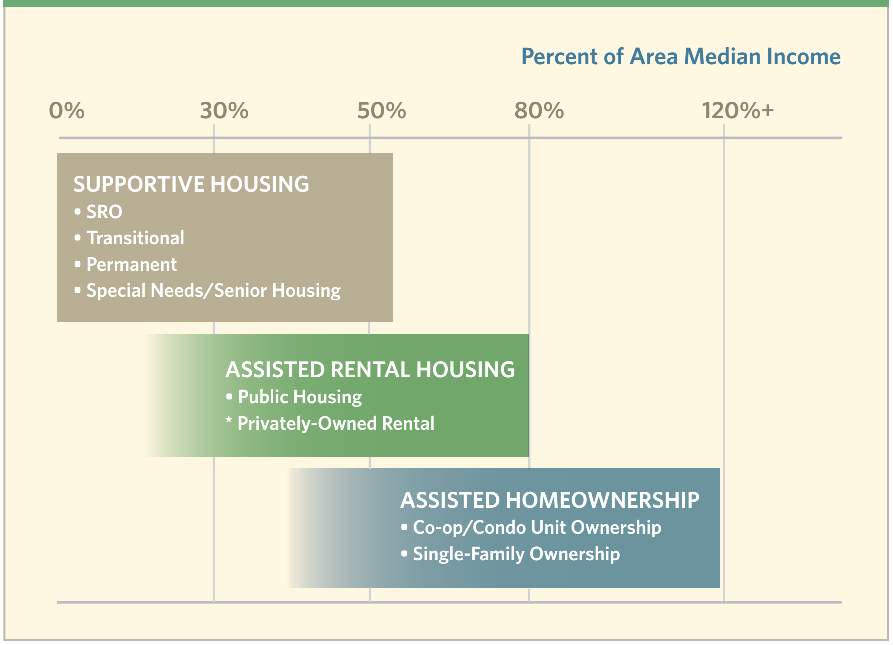
Perhaps even more than the general population, households with incomes too low to afford suitable market-rate housing have specialized *life services* needs. They tend to fall into population subgroups with defined needs that have driven the evolution of housing policies and programs to produce a variety of housing types and operational models to fit their needs.

The chart to the right (Figure 6) identifies *types of rental and ownership housing* found in the extremely low-to-moderate income *affordable housing segment* of the *Continuum*, all of which are directly subsidized to achieve affordability.

At the start of 2010, there were 37,830 units of assisted housing[29] for extremely low to moderate income households in the District. An additional 11,000 units were occupied by households with federal or local rent assistance vouchers that reduce their out-of-pocket rent expense to 30 percent of income.

The types of affordable rental housing are differentiated by the operational model on which they are based — not their architecture. Rental housing operations in this segment are often coupled with *social and health services* tailored to the special needs of residents. The services help residents manage such conditions as chronic mental and physical disabilities, HIV/AIDS, substance abuse, and domestic abuse, which are found throughout the low income population.

FIGURE 6. District of Columbia Continuum of Affordable Housing Related to Income Eligibility Limits



The following is a review of the key types of affordable housing within three broad categories — *Supportive Housing; Assisted Rental Housing*; and *Assisted Homeownership* — that account for the *affordable segment* of the complete *Continuum of Housing*.

Supportive Housing

Insufficient income to afford the full cost of suitable housing and specialized personal services is the common denominator for the District resident, including families with children, currently living in housing with linked supportive services subsidized by District programs. Housing for these residents is provided by a mix of publicly and privately operated *emergency shelters, transitional housing* and *permanent housing*, including *single-room occupancy (SRO) housing*.

Linked to the *Housing Continuum* is a continuum of resident-related services. As a society, there is a growing recognition of the need for housing accommodations with services tailored to the special needs

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Planting flowers at SOME's (So Others Might Eat) Dwelling Place Senior Center

of resident subgroups differentiated by a variety of factors, such as mental and physical disabilities, addictions, domestic abuse, family composition, gender, age and aging. *Supportive Housing* is found at all income levels along the continuum from its most basic type — the emergency shelter for the homeless — to permanent assisted-living accommodations for the elderly; even hospice care facilities.

Public policies and programs and the network of primarily nonprofit housing providers have evolved to produce *Supportive Housing* for all kinds of subgroups defined by their needs, preferences and financial ability to exercise choice. For those of low income, however, the exercise of income-driven choices is limited. Nevertheless, low income persons, like all income groups, have neighborhood preferences based on the available services that meet their needs and the opportunity to have ready access to them.

The homeless are among the most challenging members of the community to house. Housing suited to their needs exists in a variety of operational types defined by both the physical accommodations and the related supportive services. Housing for the homeless must address the conditions contributing to homelessness, which are defined by HUD for program funding purposes as "disabilities," such as *a diagnosable substance abuse disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions. A disabling condition limits an individual's ability to work or perform one or more activities of daily living.*

Housing for the homeless may need to accommodate households with one or more members diagnosed with HIV/AIDS. It must recognize when gender differentiation is necessary, such as the need for secure housing for women and children escaping from domestic abuse. It must also be age appropriate if it is housing for homeless or runaway youth. Finally, the housing must be suitable for the growing number of homeless families with children, many of which have a working parent. For all categories of homelessness, the successful operational models provide a combination of direct on-site services and facilitated referrals to an array of supportive service providers tailored to the needs of each resident/client and managed by an assigned case worker.

Each of the types of *Supportive Housing* described below is a product of public policy efforts to solve homelessness and to provide appropriate and affordable housing for other special needs populations.

Emergency Shelter is usually the first step "off the street" for the homeless. It is our society's least satisfactory form of publicly-sanctioned housing; however, it does provide basic overnight shelter and often supportive client services. The emergency shelter system, however, has become a revolving door for chronically homeless individuals who are also repeat "customers" of hospital emergency rooms, detoxification centers, detention facilities and other costly institutional facilities. Public policy is moving in favor of more stable and secure types of housing for the chronically homeless in order to reduce the need for shelter beds and return the shelter system to a truly emergency resource. The need is particularly acute for homeless families with children whose numbers have increased due to the loss of jobs in the current economy.

The growing incidence of *situational homelessness*, caused by unemployment or underemployment, requires services to assist those residents who qualify for and find jobs that pay a living wage. A growing subgroup is homeless families with pre-school and school-age children and a working parent with insufficient pay — even from multiple jobs — to reach an adequate *living wage* for their household size and circumstances.[30]

In 2009, the District had emergency shelters with 2,755 beds for homeless individuals and 774 beds in units for families with children.[31]

Supportive Rental Housing includes a variety of housing types found along the *Housing Continuum*, beyond the shelter system, that are designed to provide more stable and secure housing for homeless and at-risk persons and families. They are based on either a *transitional* (time-limited) residency operating model or a *permanent* residency model (with no time limit but subject to the terms of a standard lease). Included are: *Single Room Occupancy Housing, Transitional Housing,* and the recent emergence of *Permanent Supportive Housing*.

Supportive housing with direct provision of social and health services for the homeless is the most service intensive residential model. *Housing with resident services* is a service-enriched model that facilitates access to services and programs designed to improve the lives of low income residents who are not dealing with the immediate causes or consequences of homelessness, but who may be considered "at-risk" or may have special needs related to health conditions, literacy and employability.

The District's 10-year *Homeless No More* plan initiated in 2005 set the goal of ending the revolving door of shelters for the chronically homelessness by 2014 and called for the creation of 2,500 additional units of permanent supportive housing. Chronically homeless individuals and families would be placed in permanent supportive housing with leases and case managers. The shelter system would be returned to an emergency overnight resource for persons and families managing short term homelessness.

A growing body of experience in the District and elsewhere suggests that the priority for future resources for housing the homeless should be for *permanent supportive housing*, rather than for more emergency shelters and transitional housing. A core value of the supportive residential model is the potential for each person and family to realize their potential for social and economic mobility along the *Housing Continuum*. Permanent supportive housing is needed because,

- Without stable housing, the conditions contributing to a person's homelessness cannot be effectively treated; and
- Without supportive services, formerly homeless persons are likely to regress for the reasons that caused their homelessness.

Implementation of government production and service programs for supportive housing depends on financing relationships with a network of nonprofit development organizations that function in the roles of housing sponsor/developer, housing owner/manager and supportive services provider/facilitator. The capital and operational costs of these housing types are financed by a complex web of resources from federal and District programs, financial institutions, foundations, faith communities, and corporate and individual donors.

Each of the types of *Supportive Housing* described below is a product of public policy efforts to solve homelessness and to provide appropriate and affordable housing for other special needs populations.

Single Room Occupancy (SRO) Housing is an updated variation of the "rooming house" originated late in the 19th century. Although once a common form of housing, rooming houses had largely disappeared, often casualties of urban renewal. In the mid-1980s, the U.S Congress recognized that there was a growing need for affordable, basic housing, particularly for single, very low income individuals. In 1987, the Stewart B. McKinney Homeless Assistance Act was signed into law to provide funding to rehabilitate existing structures to create SRO housing. Prior to opening for operation, SRO sponsors have access to Section 8 Moderate Rehabilitation Program financing to adapt the housing to meet HUD's single-person occupancy housing quality standards.

An SRO building provides a small (on average 140 square feet) private room for one individual. Each room is usually furnished with a bed, chair, and space for clothing storage. A desk, sink, small refrigerator and/or microwave may also be provided. Typically, bathrooms, living rooms, kitchens, laundry facilities, and meeting rooms are shared.

In the District, SROs are owned and operated by nonprofit community organizations funded by HUD through an Annual Contribution Contract with the D.C. Housing Authority. The ACC provides rental assistance to support the operation of the housing based on a per unit contract rent. Each resident pays up to 30 percent of their income toward the rent. On behalf of each homeless individual, DCHA makes a Section 8 rent assistance payment to the SRO housing owner. SRO residents are expected to pay 30 percent of their income toward their contract rent, which must not exceed 75 percent of the Fair Market Rent established by HUD for the District.

Although not required for HUD funding, SRO sponsors in the District provide supportive services such as substance abuse counseling, job counseling and literacy training. SROs enable residents to establish a fixed address to which essential income benefits, such as pension and social security payments, can be sent.[32]

Transitional Housing emerged in the early 1990s as a HUD demonstration program. It is now a proven operational model for households who are screened for their potential to move from homelessness to self-sufficiency and permanent affordable housing. Although time-tested, it is a time-limited communal residency model that imposes high expectations on the homeless to overcome the conditions causing their homelessness or risk returning to the shelter system. The transitional model is commonly based on a maximum 24-month

In September 2009, the **Community Partnership for the Prevention of Homelessness** announced that funding applications from nonprofit housing providers for the District's 2010 Continuum of Care application to HUD should be focused on *permanent supportive housing* programs serving the following populations:

- Chronically homeless single adults with a priority for veterans
- Homeless disabled families with a priority for veterans
- Homeless disabled individuals with a priority for veterans

residency during which personal milestones are set on a path toward the goal of permanent housing. Success is measured by the capacity of the individual or family to move on to "regular permanent housing" with the withdrawal of the supportive services within six months after moving.

Transitional housing is a challenged operational model for two important reasons:

- The lack of suitable and affordable "regular permanent housing" for successful graduates of transitional housing programs, and
- The ever-growing structural operating deficit created by static annual federal grant funding and the continuously increasing cost of transitional housing operations, which must be covered by a local match from non-federal funds and/or private charitable grants and gifts.

The long-term viability of the transitional model is at risk for the above reasons despite its proven value as an effective approach that enables some homeless individuals and families to achieve stable, independent and productive lives. The permanent supportive housing model discussed below is emerging as the preferred alternative to transitional housing to reduce the need for emergency shelter beds.

In the District, there are 99 transitional housing programs operated by a network of 53 nonprofit and faith-based organizations. The split between beds for individuals and families is 1,245 to 1,894.[33]

Permanent Supportive Housing is the most recent strategic shift in public policy for dealing with the chronically homeless with disabilities and others who are experiencing long-term situational homelessness. In the District, the *Homeless No More* initiative is based on using the PSH-model to move the chronically homeless out of shelters and off the streets and into supportive housing without a time limit on residency, which distinguishes it from the transitional operating model. Experience with the PSH-model suggests that it is a more effective housing solution that helps people recover at a lower overall cost of care than is associated with the revolving door operation of the emergency shelter system and the other high cost institutional facilities used by the chronically homeless.[34]

Permanent supportive housing is based on the premise that the first step in overcoming the conditions that contribute to homelessness is to place the homeless individual or family in a stable and secure home environment. PSH has emerged to serve a variety of population groups confronting the consequences of poverty, as well as mental and physical disabilities. Communal PSH is operated with the on-site delivery of social and health services tailored to the needs of each resident, including youth and the elderly. Assigned case managers work with the residents to design and implement personal development plans involving such services as life skills training, job training, tutoring, and counseling for alcohol and drug abuse. In some residential settings, the case management may involve the developmentally disabled and the frail elderly.

Unlike the transitional model, PSH units may be operated either in scattered site locations or in communal or congregate settings. With the scattered site approach, the housing unit is leased by the government from a private owner. The unit may be a unit in a multi-family building or a single-family residence. In the communal setting, the homeless are housed in their own units in an apartment building. In the PSH-model, delivery of resident case management and related services is contracted to be provided by nonprofit organizations experienced in working with homeless individuals and/or families. That experience is likely based on being a successful operator of transitional housing, which provides services on-site. The delivery of case management services to clients in scattered site accommodations, however, involves a "circuit-rider" delivery model.

In the congregate PSH model, services tailored to the needs of residents are integral to the operation and physical design of the housing. Those requirements add costs to the production and ongoing operation of the housing. The costs of supportive services in the affordable housing segment are customarily funded by government programs, unlike the upper-income segment in which the costs of services are paid by residents either in their rent or in supplemental user fees. Regardless of the source of payment for the services, the payment covers the portion of space costs dedicated to the service operations. However in the PSH model, service space rent is not recognized as operating income for the purpose of underwriting the debt and equity financing required to produce the physical space dedicated the service operation .It is, nevertheless, as integral to the operating income of the property as is "laundry income" and should be counted for the purpose of pro forma calculations of net operating income available for debt coverage.

In 2009, there were 85 permanent supportive housing programs operated by a network of 33 nonprofit and faith-based organizations, plus 7 programs directly operated by the District government. Together, there were about 2,320 units of permanent supportive housing providing 2,724 beds primarily to formerly homeless individuals, plus 1,166 beds for families with children.[35] About 74 percent of the beds were in scattered site locations and nearly all of the tenants had their own leases.[36]

The Urban Institute estimates that the annual operating costs of a PSH unit are about $8,500, which are paid by HUD/housing authority subsidies (55%), DC Department of Mental Health contracts (30%), and tenant rent payments (8%). Supportive services, primarily covered by Medicaid payments, are estimated at $7,200 annually for each resident. One-time capital costs for the development of a complete PSH unit is about $127,000.[37]

Housing for Seniors and Persons with Special Needs are two subtypes of *Sup-*

portive Housing that serve the special living requirements of those accommodated, both in supportive programs and in physical design requirements. The design of the housing is tailored to the supportive program needs and the physical capabilities of the residents, which may be determined by mental and physical disabilities, aging, and/or illness (e.g. HIV/AIDS). The demographic trends in the general population strongly suggest a growing demand for housing for seniors and persons with special needs. The primary financing sources for such housing are the HUD "capital advance programs" known as Section 202 Supportive Housing for the Elderly and the Section 811 Supportive Housing for the Disabled. The housing is limited to persons with not more than *very low income*, as defined by HUD.

Under both programs, HUD provides an interest-free capital advance to nonprofit sponsors to finance the construction, rehabilitation or acquisition (with or without rehabilitation of structures) that will serve as supportive rental housing. The advance becomes a grant if the housing remains available for program-eligible persons for at least 40 years. The programs also provide project rental assistance, which covers the difference between the HUD-approved operating costs of the project and tenant contributions toward rent.[38]

Section 202 housing is designed for the elderly (age 62 and older), including the frail elderly, with supportive services, such as cleaning, cooking and transportation. Section 811 housing enables persons with disabilities to live as independently as possible in the community. Each project must have an approved supportive services plan certified to meet the needs of the persons to be accommodated. Services may vary with the target population, but could include case management, training in independent living skills and assistance in obtaining employment. However, residents cannot be required to accept any supportive service as a condition of occupancy.[39]

TABLE 2. Households by Income Group Living in Public Housing and Other DCHA-assisted Housing – 2008

AMI	Public Housing	Mixed Finance Projects	Housing Choice Vouchers	LRSP Vouchers	TOTAL
< 30%	6,714	656	8,919	775	17,064
31-50%	452	527	1,196	0	2,175
51-80%	66	237	127	0	430
81%+	5	223	34	0	262
TOTAL	7,237	1,643	10,276	775	19,931

Source: DC Housing Authority (DCHA) 2008 Real Estate Symposium

In the District, the population 65 years of age and older was estimated to be nearly 67,000, with renters accounting for about 25,430 persons (38 percent). Among renters, about 13,200 (52 percent) were burdened with housing costs greater than 30 percent of income and about 10,000 (15 percent) were living in poverty.[40] The affordable housing supply, other than public housing, that is designed for the elderly, mentally and physically disabled, and persons with HIV/AIDS consists of about 1,550 units of Section 202/811 rental housing sponsored by nonprofits, of which more than 1,400 are for the elderly.[41]

Assisted Rental Housing

Public Housing — the original transitional housing program — has its origins in the U.S. Housing Act of 1937 as the nation's response to homelessness during the period of the Great Depression. Its statutory purpose was to create the first government-run rental housing to be operated as affordable transitional housing. It was expected that residents would move out once they became financially able to afford housing in the private market. The reality of the public housing story, however, is that for a variety of complex reasons the original vision of the transitional residency model gave way to a permanent housing model. Over 70 years, it has evolved into a source of permanent supportive housing for low income households, which often are multi-generation public housing families.

In a typical locality, public housing is owned and managed by an independent agency. In the District, the DC Housing Authority (DCHA) is governed by an appointed board of commissioners. Often the largest landlords, public housing agencies, are funded by a combination of rent paid by tenants and an annual operating subsidy payment from the federal Department of Housing and Urban Development (HUD). Capital expenditures are funded by competitive and non-competitive HUD grants.

The District has had a net reduction in its inventory of nearly 12,000 public housing units in 1995 to less than 9,000 by demolition of vacant and uninhabitable units by 2000. In 1995, DCHA programs served nearly 12,000 households between public housing units and about 3,000 privately-owned Section 8 rent-assisted units. By 2008, this reduction in public housing units had been offset by a 70 percent increase in all types of DCHA-subsidized housing, as shown in Table 2 above.[42]

In 2008, DCHA reported providing subsidized housing for nearly 20,000 very low to moderate income individual and family households, including persons with disabilities and the elderly. This represents about 8 percent of the District's total estimated households. Of these, 7,237 families are living in public housing units located in more than 50 apartment and town house properties located across the city. In addition, 12,694 families were being served by DCHA programs other than public housing.[43]

DCHA recently reported more than 26,000 low income households on its waiting list for public housing openings or for rent assistance vouchers for housing in the private market.[44] Nearly all of the households on the list in 2007 reported incomes below $28,000, or less than 30 percent of AMI.[45]

Although open to accepting families from the homeless shelter system, DCHA's large applicant waiting list, limited turnover of habitable units and struggle with managing its operating budget gap combine to challenge *public housing* as a readily-available housing resource for the homeless or for other "cost burdened" low income households.

In an effort to accommodate more low income households, DCHA has recently undertaken a strategy of "blended" privately-owned and managed properties. The blended properties are a combination of public housing units (with project-based rent subsidy vouchers) mixed with market-rate units.

Eligibility for admission to public housing is limited to HUD-defined "low income" families and elderly, which is capped at 80 percent of the DC Median Income.[46] Residents pay 30 percent of gross household income toward rent. However, there is neither a residency time limit, as with the *transitional housing,* nor a household income limit for continued residency in public housing.

In fact, some long-term public housing residents pay the full, unsubsidized rent for their unit, which effectively moves those units out of the affordable housing supply until they are vacated. The residents paying full rent help reduce DCHA's operating budget deficit while broadening the income mix among public housing residents. The higher income families are also the primary candidates for becoming homeowners in the agency's HOPE VI projects.

Homeownership affordability for qualified public housing families is achieved by a combination of a front-end subsidy built into the HOPE VI project financing, plus an HPAP second mortgage[47] and, if needed, a DCHA "take back" third trust. The agency also uses the Section 8 Housing Choice Homeownership Voucher Program to finance a limited number of renter-to-homeowner conversions.

Privately-owned/Assisted Rental Housing is the private sector counterpart to public housing.[48] As noted above under *Public Housing*, privately-owned (nonprofit and for-profit) housing is also where public housing units are increasingly being located. This sector of the affordable *Housing Continuum* includes scattered site rental apartment units and houses and multi-family rental apartment properties. The multi-family apartment properties range from small (generally 10 to 25 units) to large properties with several hundred units.

The *production* of affordable privately-owned housing has depended on a complex mix of federal and local programs that provide debt and equity financing combined with commercial bank loans, and sometimes with government, corporate or foundation grants.

As of April 2010, the National Low income Housing Coalition reported that there were approximately 30,000 units in 338 multi-family rental properties and limited-equity cooperatives in the District that were federally and locally subsidized by one or more production financing programs included among the following:[49]

Direct Federal Programs

- HUD Section 236 Direct Loans with Interest Reduction Payments
- HUD/FHA Insured Multifamily Mortgages
- HUD Section 202/811 Mixed Financing Program for Supportive Housing for Elderly and Persons with Disabilities

Local Agency Administered Federal Programs

- DCHFA: Low Income Housing (4%) Tax Credits – equity financing
- DCHFA: Tax-exempt Mortgage-backed Bond Financing
- DCHFA: McKinney Act Loans – predevelopment and bridge loans
- DCHA: Housing Choice Voucher Program (project-based)
- DHCD: Low Income Housing (9%) Tax Credits – equity financing
- DHCD: HOME Investments Partnership Program – loans and grants
- DHCD: Community Development Block Grant (CDBG) – loans for affordable rental production and conversion of unassisted rental housing to resident-controlled limited equity cooperatives

District-funded Local Agency Programs

- DHCD: Housing Production Trust Fund
- DCHA: Local Rent Supplement Program

Privately developed and owned *affordable rental housing* is considerably more complex to finance and operate than housing for the higher income segment of the market. The illustrative comparison at right is based on an actual affordable rental project in the District that is structured to operate with rents at or below 60 percent of AMI compared with the simpler financing structure for a comparable property based on market rents without any public subsidy programs.

As shown in the comparison, the more complex financing structure for the production of affordable housing involves negotiation and coordination of at least four separate public and private sources of debt and equity investment. Typically, the small to medium sized multifamily rental properties (5 to 60 units) are where affordable rental units are produced by nonprofit housing companies in the District. It is primarily mission-driven nonprofit developers that are motivated to undertake the creative financing required for such small properties. However, the most common financial challenges facing the nonprofit sector are the lack of working capital and the uncertainty of adequate fee income from the properties developed in order to sustain the business capacity of the nonprofits as viable long-term owners and operators of the affordable housing they produce.

Operating income subsidies are essential to sustaining long-term affordability of rents once a property is developed. The HUD-funded Housing Choice Voucher Program[50] (HCVP) administered by DCHA is the main source of operating subsidy to sustain the supply of privately-owned affordable housing across the city. Today, more than 10,500 District families are being assisted by two variations of the HCVP, plus the DC-funded Local Rent Supplement Program (LRSP), also administered by DCHA.

The *Housing Choice Voucher Tenant-Based Program* is a "demand-side strategy" that provides rent assistance to *very low income* families and individuals who find their own housing (single-family homes, townhouses and apartments) as long it meets the requirements of the program. This federally-funded program enables eligible households to realize a greater measure of economic mobility in their housing and neighborhood choices, including relocating with their voucher to a subsequent home — even out of state. DCHA directly pays District landlords the approved portion of the HUD-determined "fair market rent" above 30 percent of the tenant's household income.

The *Project-Based Housing Choice Voucher Program* is a "supply-side" strategy that is a key to producing units affordable for very low income households. Administered by DCHA, the project-based vouchers are allocated for housing units (up to 20 percent) in privately-owned apartment properties throughout the District. Tenants in these units cannot move with the voucher, unlike the tenant-based voucher program.

The District government-funded *Local Rent Subsidy Program*, modeled on the federal HCVP program, was established in 2007. The LRSP is targeted at assisting *extremely low income* individuals and families (i.e., households below 30 percent of AMI) who are currently on the public housing HCVP waiting list. The LRSP provides individual "tenant-based" vouchers on the same basis as the federal HCVP to pay the difference between 30 percent of the household's income and the HUD fair market rent for a suitable apartment on the open market. A second feature of the program enables DCHA to enter into long-term "project-based" or "sponsor-based" agreements (up to 20 years) with affordable housing providers who are willing to commit units on an ongoing basis to qualified individuals and families. This long-term commitment of LRSP provides the operating funds — through the rent subsidy payments — that are needed to sustain the financial feasibility of operating housing for extremely low income residents. The project/sponsor-based program is often essential to producing and sustaining the operation of permanent supportive housing for those with special needs, including the chronically homeless.

In 2010, the LRSP is providing vouchers to enable 678 tenant households to afford privately-owned housing in the District. In addition funds from the program are committed to projects that will provide 1,058 units of housing with supportive services and an additional 179 affordable units without supportive services.

Overall, more than 3,400 local landlords are providing housing through the DCHA-administered voucher programs. In the last year alone, DCHA provided more than $130 million in rent assistance payments.[51]

Sources of Permanent Debt and Equity Financing Affordable vs. Market-rate Model Rental Project

Affordable Rental Financing	Market-Rate Rental Financing
• 1st Mortgage: DCHFA loan funded by tax-exempt bond sale to a commercial bank: 26% • 2nd Mortgage: DC DHCD low interest loan: 32% • Equity: Low Income Housing Tax Credits: 24% • DHCD TCAP Loan: 11% • Charitable Grants: < 1% • Funds from Rent Reserves & Operations: 2% • Deferred Developer Fee Loan: 5%	• 1st Mortgage: Commercial bank direct loan: 75% • Equity: Cash from owner/investors: 25%

Assisted Homeownership

The District's longstanding policy commitment to increasing homeownership among low income residents has fostered a durable partnership with several nonprofit and mission-driven for profit developers of affordable housing for homeownership. These developers have produced thousands of single-family, condominium, cooperative units in neighborhoods with the lowest homeownership rates and the lowest incomes. Their impact has gone beyond the production of housing units to the revitalization of neighborhoods.

Some nonprofit homebuilders have gone well beyond the construction and renovation of housing. They have assisted low income residents to become first-time homeowners by offering financial literacy education, credit counseling, and Individual Development Accounts. They provide support through homebuyer clubs and post-purchase counseling. Some provide opportunities for buyers to contribute sweat equity by helping build their own homes

Since the late 1960s, the District has been a leader in innovative local programs to enable low-to-moderate income residents afford to become homeowners by providing direct assistance to purchase single-family homes and multi-family (cooperative and condominium) housing. The District government's long commitment to promoting homeownership stems from an historically low homeownership rate that increased from less than 41 percent to over 44 percent in the period from 2000 to 2008 (compared to the national average of about 67 percent). [52] The lowest homeownership rate in the city is 23 percent in Ward 8.[53]

The District's policy of investing federal grant funds to make purchasing a home affordable for very low-to-moderate income residents dates from the Model Cities Program (1966 to 1974) to the present-day Community Development Block Grant Program. In the years from 2000 to 2008, the District has made homeownership affordable for 2,847 first-time low-to-moderate income home buyers of single-family and condominium units using a combination of federally and locally-funded loan programs, housing production subsidies and tax exemptions.[54] During that same period of time, homeownership in the District grew by 7,357 homeowners, raising the homeownership rate from 40.8 percent to 43.4 percent. Thus, DC-assisted homebuyers accounted for about 39 percent of the increase in the total number of District homeowners during this period.[55]

The Home Purchase Assistance Program — commonly known as HPAP has provided low cost second mortgage financing since the late 1960s to increase the purchasing power of eligible first-time homebuyers who otherwise would not be able to afford to buy a home in the District. In peak funding years, the District has provided HPAP loans to as many as 500 to 800 first-time homeowners. An important early design objective of the HPAP program was to fund the 20 percent down payment requirement that eliminates the cost of mortgage insurance that otherwise is required with conventional (i.e., non-FHA) mortgage finance. Today, that objective is harder to achieve tor two reasons: 1) most new mortgages are FHA-insured with relatively costly upfront and monthly insurance fees regardless of the amount of down payment and 2) the current $40,000 maximum loan cap would cover the 20 percent down payment on a $200,000 residence — a price point at which there a few suitable housing choices for the typical HPAP eligible buyer who needs at least a two-bedroom unit. The complex HPAP schedule of loan limits based on household size and income further reduces the capacity of the program to provide sufficient funding to avoid the cost of mortgage insurance which effectively reduces the effectiveness of the program as a tool to increase the purchasing power of low income homebuyers in the high cost District housing market.

Few, if any other, cities offered a similar program through the 1980s. Originally, the program provided a $16,000 forgivable loan to bridge the gap between the incomes of its low income residents and the price of a decent entry-level home in the District's relatively high priced housing market. For about 20 years until 1995, the basic HPAP Program provided amortizing loans up to $20,000 repaid at a fixed interest-free rate of $45 per month. Very low income homebuyers (below 50% of AMI) were eligible for interest free deferred loans up to $25,000. During much of that period, an entry level home could still be purchased for under $100,000 in the District. When home prices began to surge in the late 1990s, the supply of single-family houses and condominium units affordable with HPAP assistance declined dramatically. For example, as reported in *Housing in the Nation's Capital,*[56] "…a family supported by a full-time cafeteria cook [was] almost totally shut out of the market, and one supported by a middle-school teacher could afford only 8 percent of the single-family homes on the market in 2005 as a first home."[57] A $95,000 income (typical of an education administrator) in 2005 could afford only 3 out of 10 single-family homes sold that year.[58]

In response to this rapidly growing disparity between housing prices and the slower growing incomes of lower income District households, the HPAP program was redesigned in 2006 to provide loans up to $70,000 of the purchase price, plus up to $7,000 for closing costs. The interest-free loans were amortized over 40 years with payments deferred for the first 5 years. Today, a scaled back HPAP program provides loans up to $40,000, plus up to $4,000 for closing costs with the same repayment terms. The reduction in the maximum loan amount was driven primarily by a reduction in the overall funding of the program, not because the affordability gap is significantly less despite the softening of housing prices in the 2008-2009 period.

Employees of the District government who are first-time homebuyers in the District may also be eligible for home purchase assistance through the Employer Assisted Housing Program (EAHP).

Eligible employees receive matching down payment grant funds up to $1,500 plus a deferred loan up to $10,000. EAHP assistance may be combined with HPAP assistance for eligible low income employees. During the fiscal year ending September 2009, 320 first-time homeowners were financed with HPAP and/or EAHP loans.

Shared-Equity Work Force Housing A new approach to affordable homeownership, based on a shared equity land trust homeownership model, became a component of the *Housing Continuum* by the DC Council enactment of the "Workforce Housing Production Program Approval Act of 2006." Passage of the Act was a response to the Mayor's Comprehensive Housing Strategy Task Force, which, in 2006, recommended a specific program tool to address the "workforce housing problem." The problem, then and now, is the disparity between home purchase prices in the District and the salaries of workers essential to a healthy city, such as teachers, first responders, managers and administrators. The incomes of these workers tend to fall within the low to moderate income range or 60 to 120 percent of AMI. Those above 80 percent of AMI are beyond the reach of traditional homeownership subsidy programs.

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Prospective homebuyers at Housing Counseling Service's Pre-Purchase Orientation class.

Specifically, to address the low to moderate income affordability gap, the Task Force recommended "supporting the formation of one or more community land trusts run by public, nonprofit, or other community-based entities whose mission would be to acquire land and hold it long-term while providing long-term leases to developers of housing for both rental and for-sale units." The objective would be to create "permanent affordability" for successive owners.

At the Mayor's request, Community First Enterprises (CFE) developed the city's official plan to address the challenge of producing workforce housing with long-term affordability. The resulting "Washington, DC Workforce Housing Land Trust: Design and Implementation Plan" proposed a 1,000-unit pilot project to be undertaken by CFHOMES, a nonprofit subsidiary of CFE. The Plan was presented by the Mayor to the City Council as the city's primary workforce housing solution. In December 2006, the D.C. Council unanimously approved the Plan, including a long-term goal of 10,000 CFHOMES units. Program regulations were completed in August, and $10 million in public funding was delivered in December 2007.[59] The program will serve working families with homes affordable at incomes averaging 80 percent of AMI or less.[60]

The initial goal of the pilot project is to create a portfolio of 1,000 permanently affordable workforce units. The project received a $10 million grant from the District to leverage $65 million in New Markets Tax Credit investments to create a total fund of $75 million. By the end of 2009, the first two were acquired. The marketing and sale of units began in spring 2010, while acquisition of units for resale through the program continues.

The CFHOMES shared-equity approach subsidizes the property, rather than the homebuyer, by a single infusion of capital, relying on a limited initial local public subsidy. The homes remain affordable for future buyers based on an equity sharing formula tied to the property by a deed covenant designed to constrain the cost of home purchase for generations of families without any additional subsidy. The equity sharing covenant balances the goal of permanent affordability, especially in gentrifying neighborhoods, with the need to provide a fair return-on-investment to the moderate-income homeowners, which provides an opportunity for wealth-building and future economic mobility. Although the seller will typically receive a significant return, the resale price for the subsequent buyer will generally be substantially lower than the market price, without requiring additional subsidy.[61]

The First Right Purchase Assistance Program is the multi-family property counterpart to the HPAP program for single-family homeownership. The FRPAP was originated in 1981 as the financing tool to enable low to moderate income renters to exercise their statutory "first right" to purchase their housing created by the DC Rental Housing Conversion and Sale Act of 1980.

During the late 1970s, the District experienced its first wave of rental-to-condominium conversions in "gentrifying" areas, especially between Dupont Circle and Logan Circle in the Shaw neighborhood. Condominium conversions had begun to cause and otherwise threatened the economic displacement of low income renters, many of whom were long-term residents of their buildings. The Conversion and Sale Act slowed the conversion process by providing tenants the legal right to purchase their property through formation of an incorporated association to pursue the tenants' collective opportunity to match any third-party offer or the landlord's selling price provided that the association could find the means to finance the purchase price within a legally prescribed timeframe. At the time the Act became effective there was no source of financing readily available to residents of apartment buildings to exercise their right to purchase their housing until the FRPAP was funded and became operational in early 1981.

The FRPAP was designed to be responsive to the legally limited timeline for the exercise of the right-to-purchase. Coordinated with the FRPAP is the *Tenant Purchase Technical Assistance Program* funded by DHCD and operated by ULS Homeworks to provide development services to tenants to assist with organizing and structuring a tenant association, including preparation of legal organizational documents, and assistance with identifying project team members and financing sources in order to meet the timeline for exercise of the right to purchase. ULS Homeworks is the officially designated agency to which tenants are directed for assistance when notified of a pending sale of the housing in which they live.

As the first source of financing, the FRPAP provides "seed money" financing for earnest money deposits and pre-purchase and conversion expenses, such as legal, appraisal, architectural and engineering reports, and consulting services. If the pre-purchase analysis determines financial feasibility — and purchase is adequately supported by tenants — the FRPAP has been the leading source of mortgage financing to enable the purchase of apartment buildings by low income tenant groups facing the prospect of displacement.

From the beginning of the program, eligibility was open both to individual renter households and tenant associations. However, the FRPAP quickly became the first source of financing for low-moderate income tenants in multi-family housing to acquire their building as incorporated tenant associations. The ownership form of choice has been the limited-equity cooperative, although market-rate cooperatives and condominiums are also options. In the recent 2002-2008 period, tenant associations successfully purchased their apartment buildings, containing 1,120 units, with financing from the FRPAP program. Individual renter households with the legal right to purchase their housing to avoid displacement due to sale of the property to another party are referred to the Home Purchase Assistance Program.

The principal sources of funding for the FRPAP program have been the federal Community Development Block Grant and, in recent years, the Housing Production Trust Fund.

Tax Exemptions to reduce the initial costs of homeownership for lower income residents take several forms in the District. The District provides an exemption from the Real Estate Recordation Tax charged to eligible purchasers at the time of purchase. Subject to seller consent, the Transfer Tax charged to the seller can be credited to these purchasers as an off-set to other closing costs or the property purchase price. Today, the combined value of these exemptions is 2.2 percent of the purchase price.[62] Applications for exemption are completed at closing on the transfer of the property to the new lower income homeowner. Eligible lower income first-time homeowners in the District can also qualify for a 100 percent abatement of real estate taxes for the first five tax years, subject to continuous occupancy as primary residence, on homes purchased for less than the then current amount that is 80 percent of the prior year median sale price of homes in the District (currently $320,000).[63]

DC Affordable Housing — Critical Issues

Expiring Federal Subsidies The most critical threat to the supply of affordable rental housing in the private sector are the expiration of HUD subsidy contracts and mortgages, and the related economic and physical failure of the properties. Until recently, market-driven higher property valuations realized by converting to a condominium were a strong incentive for investor owners to opt out of the affordable housing business.

A total of 1,995 units for example were lost to the project-based Section 8 Housing Assistance Payments program between 2000 and 2007, representing about 15 percent of the city's Section 8 housing stock. Almost all of these units exited the program through contract expirations.[64]

Another potentially significant issue related to the HUD–funded voucher programs is the risk of reduced rent payment standards for landlord lease payments. This risk became a reality when, effective October 1, 2008, HUD published its annual Fair Market Rents for the District. Despite an overall upward trend, the FMRs, which are based on market rent comparables, were decreased by an average of 3 percent for all unit sizes in 2009. The maximum voucher payment that DCHA is authorized to pay to a participating landlord on behalf of an eligible tenant is set annually at 90 to 110 percent of the FMRs. Since the District has variable rental rates among different neighborhood submarkets, DCHA sets the local HCVP payment at the maximum 110 percent level.

Although the 110 percent ceiling is the payment standard, DCHA states on its web site that it "may not be able to approve rents at the same level as in years past — even in the same complex." This condition raises the risk that participating landlords may drop out of the program if they see the potential for higher rents on the open market, thus removing those

PHOTO BY JAMIE ROSE

Twining Terrace Coop assisted by University Legal Services's asset management program.

units from the available inventory of rent-assisted units. The continuing up-tick in market rents, even during the current downturn in the economy, suggests that the reduction in the HUD FMRs may cause some profit-motivated landlords to think twice about either continuing or becoming a participant in the voucher program. Properties with financing structures based on project-based vouchers with an annual rent escalation factor may find that a reduction in FMRs could negatively impact the operation of those properties.

High Cost of Producing Affordable Housing and Sustaining Operations The financing required to produce affordable housing — both rental and ownership — involves costs and complexities not associated with housing in the upper range of the *Continuum*. The complex, multi-layered financing required to produce affordable housing, especially rental housing, results in higher transaction costs and higher time-related costs to negotiate and coordinate among multiple government agencies, financing programs, commercial lenders and equity syndicators. Affordable rental housing is impacted by time-related pre-development costs associated with the inefficiencies inherent in negotiating and coordinating multi-layer financing structures involving multiple public and private entities. The legal and lender/investor transaction costs of these more complex financings also add to production costs. The resulting permanent financing subsidies in the form of "soft" loans, tax credits[65] and grants must more than offset these added costs by an amount sufficient to reduce the cost of the overall debt financing to a level that can be financially covered by the net operating income of the property. However, subsidized financing alone is not sufficient to achieve affordability for the lowest income households. Continuing affordability requires rent payment subsidies.

Subsidized permanent financing aligns debt service with the affordable rent structure dictated by the government financing programs, which target households generally in the range of 50 to 80 percent of AMI. Affordability for households below 50 percent of AMI, however, usually requires the additional operating income subsidy provided by either the HUD Housing Choice Voucher Program or the District's Local Rent Supplement Program, both administered by the DC Housing Authority.

These programs, as discussed above, provide rental income subsidies in the form of either project-based vouchers allocated to the property or individual tenant-based vouchers. In either form, the rent assistance bridges the gap between local "fair market rents" set by HUD and the 30 percent of the household income standard for housing cost affordability. Both the HUD and District rent assistance programs set the fair market rents relied on by lenders and investors in the pro forma calculation of projected operating income to support the subsidized permanent financing structure necessary to sustain the long-term affordability of the housing. The risk of disruptions or discontinuance of project-based rent assistance is a major issue in underwriting the permanent financing of affordable housing. This is a critical factor in the risk underwriting of projects relying on the District's unseasoned Local Rent Supplement Program to sustain affordability for residents and economic viability of the property.

Supporting the Cost of Resident Supportive Services By definition, *supportive rental housing* involves the cost of providing resident supportive services. Such services also rely on government funding and, in many cases, on supplemental private donations. The uncertain reliability of both government and charitable sources of funding for supportive services is an added element of risk in the fragile system of housing for our most vulnerable residents. Uncertainty in the current system could be reduced if the District agencies with a role in financing the production and operation of the housing consolidated the process to timely coordinate underwriting and approval of the three key financial components of successful *Supportive Housing* — the development financing, the rent subsidies, and the supportive services funding.

Insufficient Funding and Unrealistic Underwriting Standards for First Right Purchase Program The FRPAP program regulations and underwriting policies received their first major revision in 2009.

The combination of inadequate funding, the current tight credit market, and the revisions have rendered the program unworkable as an effective financing tool to mitigate the potential for displacement of low income tenants from buildings in high cost neighborhoods, whether for conversion to condominiums or upscale rental housing. The new program underwriting requirements limit the FRPAP financing to 49 percent of the acquisition cost, which leaves 51 percent of the cost to be financed by commercial banks or other financial institutions. Given the time constraints imposed by the Tenants Opportunity to Purchase Act (TOPA) and the risk characteristics of tenant association purchases of multi-family buildings, effectively there are no financing sources for the 51 percent portion of the costs associated with the exercise of TOPA rights. Commercial financing for new conversions to condominiums has effectively been shut down in the current market, despite the fact that the resale market for individual condominium units remains relatively strong in some neighborhoods, such as Columbia Heights.

The Foreclosure Crisis In the words of the Urban Institute, "Housing in the Washington, D.C. metropolitan area might not be in freefall, but it's proving to be a hard ride down from the top of the bubble."[66] In the 2007 to 2009 period, metropolitan area home prices declined about 30 percent from their peak just a year earlier, while foreclosures increased 800 percent, according to the Urban Institute. During this same period, foreclosures in the District (see Table 3) jumped 270 percent, affecting both owner-occupied and rental housing.[67]

The growth in foreclosures was initially dominated by riskier subprime loans, but delinquencies and foreclosures are spreading into the prime market as the delayed effects of extended unemployment are now being seen. Prime loans account for the fastest growing segment of delinquencies and, by the end of 2009, accounted for more than 40 percent of all delinquencies in the metropolitan area.[68] Although, in 2010, the housing market appears to be bottoming out, foreclosures will likely continue to have a disproportionate impact on minority families and the District neighborhoods in Wards 4, 5, 7 and 8 that had seen the largest percentage gains in homeownership prior to the downturn in the economy.

Until recently, relatively little attention had been paid to the impact of foreclosures on renters. Increasingly, however, renters are also casualties of the mortgage crisis if their home is foreclosed, whether it is a single-family house, condominium unit, or a unit in an apartment building. Typically, renters are not aware that their home is threatened until they receive an eviction notice after the property has been foreclosed. Property owners are notified when the foreclosure process begins, but are under no obligation to inform their tenants when foreclosure is imminent.

Although the rights of tenants are well protected by District law, renters are not well informed about those rights. As a result, renters in foreclosed property may lose their home needlessly.

In response to the mortgage foreclosure crisis, the Department of Housing and Urban Development, through the Neighborhood Stabilization Program (NSP), is attempting to stabilize neighborhoods affected by high concentrations of foreclosures and declining home values. In 2008, HUD disbursed $3.92 billion in NSP grant funds to states and localities to acquire and redevelop foreclosed properties to mitigate their potential blighting impact and to stabilize home values. The District of Columbia received a $2.8 million allocation of NSP 1 funds that has been targeted for the revitalization of the Ivy City and Trinidad neighborhoods in Ward 5 (See Chapter IV – Ivy City profile, p. 34).

In 2010, the District received a second round $9.5 million NSP grant to stimulate the housing market, generate job opportunities and revitalize neighborhoods hard-hit by high rates of foreclosure and vacancy. DHCD, in partnership with the National Community Reinvestment Coalition, will use the funds to spur economic growth and housing opportunities for low and moderate income residents in the Deanwood, Anacostia and Trinidad/Ivy City neighborhoods. DHCD's NSP strategy is focused on single-family and multi-family redevelopment and preser-

TABLE 3. Change in DC Notices of Foreclosure 2007-2009

Year	Single-Family Homes	Condo Units	Multifamily (Co-ops & Rental)	TOTAL
2007 Q1	368	74	68	510
2008 Q1	597	134	107	820
2009 Q1	911	255	178	1,344

Source: District of Columbia Housing Monitor, Spring, 2009

HOMEOWNERSHIP:
Dyanne Johnson's Story

DYANNE JOHNSON had been renting a home on Bates St. NE for several years, raising her three daughters there. One day she received notice from her rental company that the building was being sold, the project-based Section-8 terminated, and that she would need to vacate the property. Thinking she had no other option, Dyanne reluctantly packed her belongings and began to move out. One day during the move, Dyanne received a knock on her door from an attorney from Bread for the City, who informed her that she did not have to move. In fact, under city law she had the right to purchase, and would be represented should she decide to stay.

Dyanne decided to stay. She moved back into her home, only to be interrupted by another knock on the door: this time, it was a representative of the property's owner, who offered Dyanne $2,300 to leave. Offended at the notion that she could be bought, Dyanne refused the money and closed the door. However, the owner was offering other tenants money, and many were taking it. Of the 37 people who were renting under the same owner, about half of the people took the money and left rather than to stay and exercise their right to purchase the buildings. In the end, four households stayed and fought to purchase their homes collectively as the Bates Street Townhomes Cooperative. They worked with the assistance of **Mi Casa, Inc.** which helped them to make decisions about the long-term security of their housing, including the ownership structure, finding loans for acquisition and renovation, and assisting them through the renovation process and beyond. Renovation was completed in June of 2008.

Dyanne Johnson, Bates St. Townhomes Cooperative president, left, with her twin sister, right.

"Sometimes, I will just sit here and smile as I look around."

— Dyanne Johnson

Today, Dyanne explains that the neighborhood that was once dangerous and poorly maintained has changed significantly since the tenants became owners and took a greater interest in watching over not only the neighborhood, but also one another. She explains that she has a sense of inner pride since becoming a homeowner that she did not have before. "Sometimes," she says, "I will just sit here and smile as I look around." She does so as she looks around her renovated living room, with gleaming hardwood floors and working fireplace. She also explains that she finds herself doing more around the house and even outside, where she has recently planted a small garden of perennial flowers. Of Mi Casa, Dyanne said "God almighty and Mi Casa: Thank you for my home, thank you for where I am. With people like Mi Casa and other organizations, there is not only help, but there is hope."

vation through the acquisition and sale of vacant and foreclosed properties; rehabilitation and homeownership opportunities through a "turnkey" program with the D.C. Housing Authority; and down-payment assistance to low and moderate income homebuyers.

An important local housing resources network initiative launched in 2010 is the Capital Area Foreclosure Network (**www.capitalareaforeclosurenetwork.org**), which has been organized to combat the foreclosure crisis in the Washington region. CAFN's leadership includes representatives from local governments (including DC/DHCD), grass roots organizations, funders, and large national institutions such as NeighborWorks America, the Federal Reserve Bank of Richmond, Fannie Mae and Freddie Mac.

New Development Initiatives — Opportunities and Challenges The District has the potential to create thousands of new units of affordable housing on land transferred from the federal government, by redeveloping existing public housing properties, and through mixed-use development of other major sites.

All of the initiatives described above are new and currently in the planning or predevelopment stage. The start of any of the large scale projects under these initiatives will depend on substantial amounts of commercial financing, which is a major challenge in the current economic and credit climate. Because the development cycle for these projects will involve many years, the rate at which new and replacement housing units will be produced may be slow. The number and rate at which affordable housing units will be produced through these initiatives remains uncertain at this time.

All of these initiatives are sensitive to market conditions, which are currently uncertain. For example, it remains to be seen when and by how much affordable housing production will be increased through the inclusionary zoning program. Given its modest set-aside requirements, it may be some time before IZ becomes a significant factor in the provision of affordable housing.

However, these projects also offer the potential for internal subsidies for the affordable units generated by profits from the sale of higher priced market-rate units. This approach should minimize dependency on the District's traditional housing subsidy programs for affordable housing production. However, the internal subsidy model expected to be used by the developers leave opens such questions as: "Affordable at what level?" and "Will residents displaced by redevelopment of their existing housing be able to afford to return?" These questions are central to the New Communities initiative where there is a commitment to the policy of one-for-one replacement of affordable units.
If the internal subsidizing of housing units proves to be unworkable in reaching the affordability goal, these projects have the potential to put substantial pressure on the District's limited resources for affordable housing, the District's debt ceiling, and the pipeline of existing affordable neighborhood housing projects already waiting for funding.

New District Sponsored Development Initiatives

New Initiative	Proposed Uses
New Communities	The redevelopment of Barry Farm (Ward 8), Lincoln Heights/ Richardson Dwellings (Ward 7), Northwest One (Ward 6) and Park Morton (Ward 1) into mixed-use, mixed income housing, retail and office space.
Major New Development Sites	New mixed-use development at Armed Forces Retirement Home, Reservation 13, McMillan Sand Filtration Site, Poplar Point, Southwest Waterfront, St. Elizabeth's East Campus, and others.
Walter Reed Army Medical Center	Housing for the homeless along with other affordable housing, market rate housing and commercial development possibilities on 62.5 acres declared surplus by the Department of Defense.
Inclusionary Zoning (IZ)	Requirement that, in exchange for increased density, new residential projects are required to set aside from 8 to 10 percent of their units as affordable to households earning up to 50 percent or 80 percent of area median income, depending on the development's zoning and construction type.

Chapter IV – Neighborhoods of Opportunity – Three Profiles

AN IMPORTANT RESEARCH FINDING of the Pew Charitable Trusts Economic Mobility Project is that "experiencing high neighborhood poverty throughout childhood strongly increases the risk of falling down the economic ladder" when children reach adulthood.[69] This suggests that a public policy imperative should be to counter this all too frequent outcome in chronically poor neighborhoods.

A public policy commitment to the idea of *Neighborhoods of Opportunity*, as advocated by CNHED, would seek to realize the goal of a seamless *Continuum of Housing* and complementary social, economic and educational opportunities to achieve and sustain a high quality of community life suited to the needs, means and aspirations of all residents. Among the neighborhoods of the District, the full range of conditions can be found from those of longstanding, intergenerational poverty to those that are examples of fully realized *Neighborhoods of Opportunity*. There are also promising examples of neighborhoods emerging from chronic poverty and social and economic dysfunction.

Emerging *Neighborhoods of Opportunity* are characterized by transformational change in all of the core components that contribute to improved life outcomes for children and families and the neighborhood in which they live. Neighborhoods help define our sense of self by being "the place" where home is, where we develop many of our important personal relationships, and were we find the supportive public and private services, institutions and facilities on which we depend for daily living. Central to these neighborhoods is a *Continuum of Housing* that meets the needs and financial means of its residents and that offers attractive and affordable opportunities for social and economic mobility. They offer residential choices to accommodate the changing housing needs and preferences of residents for whom the neighborhood is home and to attract to new residents.

Two examples of emerging *Neighborhoods of Opportunities* in the District are Columbia Heights NW (Ward 1) and Congress Heights SE (Ward 8). Both are at advanced stages in the process of change from years of decline and deterioration. Each is a product of different combinations of public and private investment. Each is a different model of community development leadership. Both are moving toward the same goal of being neighborhoods that provide a full complement of opportunities in housing types, commercial services, public facilities, education and access to places of employment. The third neighborhood profile is of Ivy City — a distressed neighborhood with strategic public and private investment challenges that will determine its potential as a future *Neighborhood of Opportunity*.

COLUMBIA HEIGHTS — an emerging *Neighborhood of Opportunity* recovering from the civil disorders of 40 years ago guided by determined community leadership and an official redevelopment plan

Columbia Heights is a neighborhood with a rich history that was dramatically altered by four days of riots in April 1968 that were sparked by the assassination of the Rev. Martin Luther King, Jr.

Dating from the early 1800s, Columbia Heights has played an important role in the development of the Nation's Capital. Over the years, with its commanding view of central Washington, Columbia Heights has been home to farms and estates, a horse race track, the first college in DC,[70] Civil War barracks and hospitals, separate settlements for whites and blacks in the post-Civil War period, and a flourishing commercial district that, in the 1960s, was second only to downtown in retail sales. A divide along 13th Street segregating whites on the west from blacks on the east was challenged when, in 1941, the first black family bought a home on the west side of 13th Street despite a restrictive deed covenant that prohibited ownership by "any negro or colored persons." A lawsuit brought by white families ultimately resulted in a court ruling in 1948 that found racially restrictive covenants to be unenforceable. This marked the beginning of the end of legally sanctioned racial discrimination in housing in the neighborhood and the city. It was years later that the U.S. Supreme Court ordered desegregation of schools in 1954 and the Congress passed the Civil Rights Act of 1964 to end all forms of legally sanctioned segregation on the basis of race.

It was only four years later in 1968 that frustration borne of unfulfilled expectations in the black community drove the destruction and looting of property following the King assassination. The fires ignited during the riots left hundreds of homes and businesses damaged or destroyed. The heart of Columbia Heights along 14th Street from Florida Avenue to Monroe Street was left in a state of ruin after four days of rioting. Businesses that survived the riots closed up and left for the suburbs. Middle and upper income residents moved out. During the decade that followed, Columbia Heights was a low income neighborhood of tension and fear with large vacant parcels where homes and businesses once stood.

Despite the devastation and abandonment of Columbia Heights in the immediate post-riot period, the rebuilt neighborhood of today is the fulfillment of a plan envisioned during that period by a few community leaders and the pre-home rule agencies[71] of the District of Columbia working together. Properties with deteriorated and burned-out buildings were acquired, cleared and assembled into parcels for new development. The goal of the plan for rebuilding the area[72] was first to accommodate the housing needs of the predominantly low income resident population.

The "affordable" segment of the *Housing Continuum* in Columbia Heights, with substantial federal and District assistance has evolved to match the income levels and supportive service needs of its low income residents, including accommodations for the elderly. A significant exception in the spectrum of affordable housing is public housing which was expressly excluded from the rebuilding plan at the request of community leaders. The result is that Columbia Heights became one of the more densely developed areas of federally-assisted private rental housing in the District. The prospect of "gentrification" was not a significant factor in the early years after the riots; however, the potential was always present due to Columbia Heights' favorable location and attractive architectural character.

The first new construction was 175 units of federally-assisted senior housing opened in 1981.[73] Over the nearly thirty years since, 59 buildings containing more than 3,100 affordable units of rental, condominium, and limited-equity cooperative housing have been built or renovated in Columbia Heights with financing provided by one or more government subsidy programs.[74] Affordable homeownership

Fairmont I & II, purchased and renovated by Fairmont I & II Tenant Association and Development Corporation of Columbia Heights, Development Consultant

housing, including low income, tenant-led rental-to-cooperative ownership conversions, has also been developed throughout the neighborhood by nonprofits, including the Development Corporation of Columbia Heights, Manna, Mi Casa (all CNHED members), and WISH. Affordable homeownership has been made possible in Columbia Heights, as well as across the District, by the locally-created and funded Home Purchase Assistance Program (HPAP) for single-family housing and the First Right Purchase Assistance Program (FRPAP) for multi-family properties for cooperatives and condominiums.

In 2010, more than forty years after the riots, the redevelopment of the last of the original urban renewal parcels is nearing completion. The turning point in the long-awaited commercial revitalization of Columbia Heights was the opening of the Columbia Heights Metro station at 14th and Irving Streets in 1999. Access to Metro, like horse-drawn streetcar service over a hundred years earlier, opened the neighborhood to the rest of the city. In the early planning of the Metro routes, the Green Line was "rerouted" to be a catalyst for the economic development of the riot-torn commercial corridors along U Street in Shaw and 14th Street in Columbia Heights. Today, both of these nearly contiguous corridors are a vibrant mix of urban resi-

Columbia Heights Neighborhood Investment Fund (NIF) Plan — Goals and Strategies developed with community input by the DC Office of Planning:

1. Improve opportunities for youth after-school education, recreation and engagement
2. Increase youth employment options through job readiness programs and job placement assistance
3. Retain and improve neighborhood-oriented retail business
4. Improve neighborhood business district development through streetscape public space improvements
5. Preserve existing affordable and subsidized rental housing units
6. Increase transition into homeownership among area first-time home buyers and current residents living in subsidized rental units
7. Increase the number of available affordable housing units
8. Expand special needs and senior housing opportunities

dential living, entertainment, restaurants, arts and retail businesses. The last decade of development has also brought with it the pressures of gentrification, which is to say that Columbia Heights has become an increasingly desirable neighborhood for middle and upper income persons.[75] Columbia Heights has become a *Neighborhood of Opportunity* with a *Continuum of Housing* choices and a full complement of neighborhood retail, banking and professional services, plus easy access to jobs both in the neighborhood and, by Metro, to employment centers in the District and the metropolitan area. Its revitalization, grounded in the original Urban Renewal Plan, has been guided by the more recent *Public Realm Framework Plan* (2003) and the *Neighborhood Investment Fund Plan* (2008).

The new defining landmark of the neighborhood is the DC-USA retail center with major retail (Best Buy, Staples and Target) and specialty shops surrounded by new and renovated housing offering a range of rental and ownership choices — both affordable and market-rate. The GALA Theatre is now permanently housed in the restored historic Tivoli Theatre building. The Dance Institute of Washington is located nearby in its new 12,000 square foot building. In and near the neighborhood is a full complement of public and charter schools, including Cardozo High School, Benjamin Banneker Academic High School, Bell Multicultural Senior High School, the Booker T. Washington Public Charter School for the Technical Arts, and many others. A Giant Food supermaket and the possiblity of a new Whole Foods market in the neighborhood provide choice in food shopping. The realization of the vision for the rebuilt Columbia Heights to this point is the result of continuously engaged community leadership and a substantial investment by the *Network of Public and Private Resource Partners*, at the center of which has been the Development Corporation of Columbia Heights — a nonprofit community development corporation. More remains to be done, particulary in the areas of public safety and preservation of affordable housing opportunities for both rental and homeownership.

A consequence of becoming a more desirable neighborhood is that housing costs, both rents and selling prices, have become less affordable for long-time residents, including young adults who grew up in Columbia Heights and are now forming their own households and want to stay. Since 2000, for example, HUD Fair Market Rents for a two-bedroom apartment in the District has increased from $840 to $1,494 — a 79 percent increase. Since HUD market rents are city-wide averages, they tend to understate the actual market rents in a neighborhood like Columbia Heights with its ready access to Metro and a substantial amount of high-end new and renovated town homes and apartment buildings. Likewise median single-family house and condominium values in Columbia Heights more than tripled from an estimated $214,500 in 2000 to about $662,500 in 2008, which was $188,400 higher than the comparable value for the entire District.[76]

Columbia Heights, unlike some newly gentrified neighborhoods in the District, has developed a diverse ethnic and economic character with a resident population that is 51% African American, 13% white and 30% Hispanic.[77] The rebuilding of this diverse neighborhood is a direct outcome of the District action to control the properties burned out by the riots and the active engagement of the community with the government in the planning of its future. Preservation of the neighborhood's diversity will require an ongoing commitment of the District Government to the goals and strategies (listed above) and the array of housing finance, supportive service and economic development programs set forth in the Columbia Heights Neighborhood Investment Fund (NIF) Plan released in 2008 by the Office of the Deputy Mayor for Planning and Economic Development.

CONGRESS HEIGHTS — an organic neighborhood make-over led by a mission-driven for-profit developer with a diverse array of public and non-profit partners

In the early 1990s, Congress Heights was a socially and economically depressed neighborhood. It was dominated by large deteriorated apartment complexes — both publicly and privately-owned. Much of this neighborhood of expansive walk-up apartment buildings was plagued by crime driven by illegal drug activity. The only retail services were fast food and check cashing. Schools and recreation facilities were deficient. Resident flight from the neighborhood pushed the vacancy rate to 40 percent in the complex that today is a revitalized and thriving community known as the Villages of Parklands.

In 1991, William C. Smith & Co. (WCS) — a mission-driven for profit-developer and CNHED member — acquired the 54 acre, 1,281 unit complex known at the time as the Parkland Apartments. Today, the Villages of Parklands is a 101 acre community of diverse housing types that includes a 16.5 acre campus with an arts, education and recreation center. Located at the heart of Congress Heights, the eight "villages" include 1,801 mixed-income garden apartments, 210 newly constructed single-family town homes and 75 single-family detached homes. An innovative "splash park" is the center of summer recreation open to the neighborhood. The Shops at Park Village, anchored by the largest Giant supermarket in the District, is now the commercial shopping center with a full complement of retail services to serve Congress Heights and beyond. The large scale and central location of the Parklands redevelopment has acted as a catalyst for the revitalization of surrounding properties and for the development of new community facilities, also led by WCS in conjunction with community partners.

The Congress Heights neighborhood has a nearly complete *Continuum of Hous-*

The Townhomes at Oxon Creek built by William C. Smith & Co.

ing ranging from transitional housing to market-rate homeownership. The housing opportunities in Congress Heights include:

- Transitional housing for homeless young mothers with children (operated by Covenant House)
- Permanent supportive rental housing (being developed by WCS)
- Publicly-assisted and market-rate rental housing
- Affordable housing for homeownership
- Market-rate homeownership in new condominium and single-family detached housing

The Congress Heights *Housing Continuum* is not the whole story of the neighborhood's emergence. In the course of developing the Villages of Parkland, WCS realized that its success was linked to understanding and helping to meet the changing needs of the community, particularly with regard to neighborhood schools, recreation facilities, health services, transportation access, and public safety. WCS provides bus service to Metro connections to facilitate resident access to jobs. Public security is enhanced by its own neighborhood police patrol. Community-based partnerships became an important part of WCS' evolving strategy for its large scale revitalization project. The East of the River Community Development Corporation became an early partner in the effort.

Partnerships were formed with the neighborhood elementary schools to undertake clean-up days and improve air conditioning and security systems. During this period, Garfield Elementary became one of the most improved public schools measured by student test scores and by receiving academic accreditation from the Middle States Commission on Elementary Schools — only the second DC public school to be accredited and the first east of the Anacostia River. In summer 2009, the KIPP Charter Schools in the District opened a new early childhood school (Discover Academy) and the first KIPP college preparatory high school in DC, which will add to the quality education opportunities for youth in Congress Heights and all of Ward 8.

In October 2005, The Town Hall Education, Arts & Recreation Campus (THEARC) was officially opened. This $27 million, 110,000 square-foot world-class education arts and recreation campus was built by Building Bridges Across the River (BBAR), a nonprofit organization founded by William C. Smith & Co. formed to develop, construct and manage THEARC. Funding for building came entirely from charitable contributions by the Federal and District government, corporations, foundations and individuals. THEARC is a key part of the Congress Heights revitalization story that also benefits the larger East of the River Community.

THEARC serves many underserved children and adults, enabling them to participate in dance classes, music instruction, fine arts, academics, continuing education, mentoring, tutoring, and recreation programs. In addition, medical and dental care and other services are available at substantially reduced cost or no cost at all. Its facilities include a 365-seat community theater — the only theater of any kind east of the river — a regulation size gymnasium, a computer lab, an art gallery, and state-of-the-art music and dance studios. The theater regularly books community movie days, art shows, graduations, professional theater productions, concerts, fashion shows and meetings of community organizations, including local public school administrators. More than 2,000 children and their parents are enrolled in the programs at THEARC, plus an additional 5,000 patients are served by the adjoining Children's National Medical Center Clinic.

The programs and services offered at the THEARC are made possible by numerous partner agencies whose mission is to improve the lives of children and adults living east of the Anacostia River. The key partners with BBAR at THEARC are:

- The Boys & Girls Clubs of Greater Washington
- Children's National Medical Center
- The Corcoran Gallery of Art ArtReach Program
- Covenant House Washington
- The Levine School of Music
- The Parklands Community Center
- Trinity (Washington) University
- The Washington Ballet
- The Washington Middle School for Girls
- Legal Aid Society of DC
- Training Grounds, Inc.

The ongoing work of WSC in Congress Heights stands as a testament to the company's commitment to its clients, investors and community partners "to create healthy, sustainable neighborhoods in which to live, work, and do business."[78]

IVY CITY — a "pocket neighborhood" at the threshold of change toward a new future driven by a blend of public investment and private non-profit development

Since its beginnings in the 1870s, Ivy City has been a "pocket residential neighborhood" — geographically small and surrounded by mixed institutional, industrial and commercial land uses. Located in the New York Avenue Industrial Corridor, its boundaries are defined by major arterial streets. A neighborhood landmark is the historic Crumell School, erected in 1911 and named for Alexander Crumell — a prominent African-American who advocated education and self-help in the African-American community. The closing of the school in 1972 coincided with the economic decline of the neighborhood. Properties deteriorated. And, many that became vacant, neglected and boarded were torn down resulting in a random pattern of vacant lots and a discontinuous streetscape.

In the decade from 1990 to 2000, Ivy City lost about 29 percent of its residents. Its population stands at about 440 persons and less than 200 households. It is a neighborhood in poverty with a median household income of $17,400 and 44 percent of its residents below the poverty level.[79] Nevertheless, the rich history of the neighborhood has engendered a strong sense of community identity, generational loyalty and civic engagement.

In its larger geographic context, Ivy City is one of many residential neighborhoods in the Upper Northeast area of the District. Although Upper Northeast is predominantly residential, with a mix of row houses and walk-up apartments, it is also the location of the most diverse mix of non-residential uses in the District. These include, for example, rail-oriented industrial uses, three universities, two hospitals, commercial warehouse and distribution facilities, the city's fresh produce district, a concentration of large religious institutions, the National Arboretum, and the corporate headquarters of Black Entertainment Television (BET). Throughout the area, neighborhood-oriented small retail business and service districts can be found, but, in recent years, these have declined as large scale national chain retail businesses have been established in Upper Northeast. Ivy City's location in this diversity of economic opportunity is, nevertheless, one of relative isolation as a result of the physical barriers that surround it. Much of the land area zoned for non-residential uses is under utilized or undeveloped.

For many years, the preservation of Ivy City as a residential neighborhood has been a challenge for District government planning and development policy. Its condition has deteriorated as its integrity as a residential neighborhood has been threatened by the potential encroachment of the more economic and market-driven industrial, commercial and institutional uses that surround it. However, since 2002, public policy and resources have been directed toward a strategy for the preservation and rebuilding of Ivy City as an attractive and affordable place to live.

The Ivy City Special Demonstration Project of the Department of Housing and Community Development (DHCD), in partnership with the Ivy City Task Force, marks the beginning of a commitment to stabilize and transform the neighborhood. The first stage of the Project was the acquisition of vacant residential properties by DHCD's Home Again Initiative beginning in 2003. In the years leading to 2006, the property acquisition continued, the community-based Task Force was organized, and a community design charette was undertaken.

The design charette produced a future vision for Ivy City as a neighborhood of affordable mixed-income housing and new retail/commercial services. The vision is built on a strategy to improve the existing rental housing, to create new homeownership opportunities through in-fill housing construction, and to upgrade the streetscape through public right-of-way improvements. To achieve this vision, substantial public investment would be required, especially to overcome the private investment disincentive of an existing homeownership rate of 12.7 percent and an overall housing vacancy rate of nearly 60 percent. The vision of affordable homeownership was seen at a time when home purchase prices were escalating far beyond the reach of low-to-moderate income District residents. By 2008, however, deterioration in overall market conditions resulting in increased foreclosures and in the tightening of home mortgage credit standards have made the goal of preserving and creating new mixed-income homeownership an even greater challenge.

Nevertheless, the process of restoring and rebuilding Ivy City is underway. DHCD's award of Home Again sites in 2006 for 58 new units of housing to be developed by three local nonprofit companies, Manna, Inc., Mi Casa Inc., and DC Habitat for Humanity, and a mission-driven for-profit company, Mission First, all of whom are CNHED members, marked the beginning of the Ivy City revitalization process.

The DHCD mixed-income housing strategy, with pricing affordable at 80 percent of AMI and higher, was central to the revitalization of Ivy City when envisioned at the start of the planning process. However, the prospects for that strategy have been affected by the general decline in housing values and the continuing deterioration of conditions in the neighborhood. As a result, deeper developer subsidies may be necessary to underwrite production costs in order to achieve pricing affordable to a market at or below 60 percent of AMI. Two key funding resources for the initial DHCD subsidy investment are the new DHCD Unified Fund and the HUD Neighborhood Stabilization Program — a time limited federal economic stimulus grant.

Production of affordable housing alone will not be sufficient to assure the long-term viability of the neighborhood. Indeed, the future viability of a mixed-income housing strategy will be at risk if there is not a sufficient and coordinated public investment in the non-residential elements of the physical environment, as well as in the public facilities serving the neighborhood, especially schools and recreation, as has been essential to the emergence of Columbia Heights and Congress Heights as *Neighborhoods of Opportunity.*

Particular attention in Ivy City needs to be paid to the neighborhood streetscape and traffic control measures appropriate to a small residential enclave, and to improving the surrounding commercial areas, as well as matching the job skills of residents with nearby employers. An opportunity exists to link the planning and development of Ivy City to the interests of nearby institutional stakeholders, particularly Gallaudet University, which will be the most impacted by the future course of the neighborhood.

Success of the Ivy City revitalization strategy will require a critical mass of timely and coordinated public and private investments in and surrounding the neighborhood to address the "key issues" and to implement the "key recommendations" identified in the Office of Planning revitalization strategy report for the "North East Gateway:"

Historic boarded up Alexander Crummell School in Ivy City

North East Gateway - Ivy City

KEY ISSUES:

- Negative image of commercial areas
- Negative image and poor condition of Ivy City
- Maintaining and expanding affordable housing opportunities
- Lack of youth and family oriented amenities
- Economic development-mismatch between jobs and skills

KEY RECOMMENDATIONS:

- Mixed-income redevelopment
- Coordinated acquisition of vacant and abandoned properties
- Development of mixed-income/ mixed-use community
- Housing and public realm investment
- Creation of a "gateway"
- Redevelopment of Alexander Crummell School

Homeowner Sandy Romero (R) and Manna staffer Edith Cromwell (L) outside the Romero's new home.

HOMEOWNERSHIP:

Sandy and Edgard Romero's Story

IN 2003, SANDY AND EDGARD ROMERO were informed that their Columbia Road, NW apartment building was being turned into luxury condominiums. To make matters worse, Edgard was laid off from his job. Not knowing what to do, Sandy and Edgard turned to their friends and neighbors for advice. A neighbor told Sandy and Edgard about **Manna, Inc.** and the possibility of homeownership. But with their poor credit history, Sandy and Edgard didn't think that the dream of homeownership would be a possibility for them.

That is, until they met Frank Demarais of Manna Mortgage. "It changed my life completely," says Sandy. "Frank sat me down to make a budget and work out my credit issues. It was like going to AA for a person with a bad spending habit. When Frank pulled my credit report it was awful, I was so embarrassed. But he understood, lectured me on where to start and had faith in me. I slowly started to pull myself from my sinking ship." Sandy and Edgard completed an Individual Development Account (IDA) program through the **Latino Economic Development Corporation** (LEDC) and put their application in for a 3-bedroom unit at Madeline Gardens, Manna's 30-unit project in Trinidad, NE. In June of 2007, the Romeros were able to move into their new home.

When asked about what changes she foresees for her family, Sandy has one word: unity. "We had it before, but now it is more permanent. This home means a lot for us." But this home means more than just a place to live — it also brings a sense of security for the Romeros. "I'm 37," says Sandy "and I now know how to handle my money. It represents a real future." Edgard has also recently completed his Automotive Service Excellence (ASE) certification and is pursuing a career as an auto mechanic. "He loves it and we're really excited about this new opportunity," says Sandy.

Sandy is also very excited to become involved in her new community. "We have a lot of people with special needs in this neighborhood [such as] older people and those for whom English is not a first language. I want to be that in-between person who can help bridge those gaps so that we can build a strong Holbrooke community."

Sandy has also been very busy encouraging her family and friends to pursue their dreams of homeownership. "Homeownership is amazing!" Sandy says. "Homeownership is so important. People just need encouragement to help them get through it. If you're not ready, Manna can help you get there. Amazing things can happen."

"Homeownership is so important. People just need encouragement to help them get through it. If you're not ready, Manna can help you get there. Amazing things can happen."

— *Sandy Romero*

The key to Ivy City's future may ultimately depend on the future success of efforts by the District government working with the community to overcome the unemployment, criminal activity and social dysfunction of the nearby Trinidad neighborhood. The future of these two neighborhoods is inextricably linked if for no other reason than that the schools that serve the children of Ivy City are located in Trinidad.

Lessons and Observations From Three Neighborhoods:

- Producing and preserving the *affordable segment* of the District's *Continuum of Housing* is dependent on the local community of nonprofit and mission-driven for-profit developers who remain uniquely committed to the challenges of time, complexity and cost of providing the types of housing best suited to families and individuals needing supportive services and affordability assistance.
- Different approaches can be made to work in the community development process. However, all depend for success on a combination of public and private (for-profit and nonprofit) investment with corporate and community leadership dedicated to a vision supported by a large quantity of institutional cooperation, coordination and good will among the multiple players in the local *Network of Public and Private Resource Partners.*
- Federal and local government financing programs are essential to the *Continuum of Affordable Housing* and related supportive services and economic development. The programs must be predictable, dependable and designed to match the financing gap requirements inherent in the production and preservation of affordable housing.
- Success requires mutual community and institutional trust in the pursuit of improved educational and occupational opportunities that lead to greater economic mobility and better life outcomes.
- Success requires a measured, flexible and responsive approach to the development process that values the evolving needs and aspirations of the community while creating a revitalized physical, social and economic environment.
- Time cannot be rushed in the transformation of neighborhoods. The development of *Neighborhoods of Opportunity* requires persistence and patience with the regulatory, financial, physical, and cyclical market challenges of the development process.
- Neighborhoods are always *becoming.* Public policy is an important catalyst in steering the direction of neighborhood change. Public agencies, as agents of policy, must be competent and willing partners with the private nonprofit and for-profit enterprises that are driven to undertake the development of housing along the *Continuum of Housing* — from affordable to market-rate rental and homeownership, as well as the broader range of community development activities that create successful *Neighborhoods of Opportunity*.
- The pressures of gentrification — a consequence of success in becoming a *Neighborhood of Opportunity* — require active management through creative public policy and resource investments to preserve a *Continuum of Affordable Housing* balanced with the goal of social and economic mobility for low-to-moderate income residents.
- The best efforts at creating an attractive "bricks and mortar" residential environment to turn a predominantly poor neighborhood into a successful mixed-income neighborhood will be undermined by a failure of public commitments to safe streets, quality education for children, job market-driven training for adults, convenient shopping, and adequate pubic facilities.

Chapter V – Policy Framework and Recommendations

HOUSING IS MORE THAN SHELTER. For most of us, it is a place of safety, security and family, a place where we live much of our lives. Housing is the bedrock of community — the foundation upon which a livable environment is built. Housing that meets the needs of its residents helps create healthy neighborhoods. It seems self-evident, therefore, that Washington, DC, like any other city, should aspire to providing its residents with a range of housing choices that meets their needs, helps sustain healthy neighborhoods and raises the quality of life for all citizens. In this paper, we refer to this range of housing options as the *Continuum of Housing* and to healthy urban communities that offer these choices as *Neighborhoods of Opportunity*.

The *Continuum of Housing* refers to a full range of housing options, from supportive housing for the homeless to traditional homeownership and everything in-between. The primary obstacle to providing these options for all residents is that the market does not provide for many the type of housing needed at a cost they can afford. Hence, this paper focuses on this obstacle and what must be done to provide a *Continuum of Housing* that is affordable to all.

Merely aspiring to the goal of providing a *Continuum of Housing* for all residents of the District of Columbia will not make it happen. Only when the citizenry and our political leadership embrace this vision for our city as a true priority can we hope to achieve it. Progress must begin with the adoption of the goal as policy and the use of market incentives and allocation of public resources to achieve it.

The primary opportunity for allocating resources is the city's annual budget process, where needs must be addressed with available resources and choices made among competing priorities.

Once resources have been identified, the city must select the appropriate mix of programs and partners from within the public and private sectors — both nonprofit and for-profit — to help achieve its priorities. This process can be greatly assisted by government being transparent about program resources that are available to both the public and its partners. In this paper we refer to this best practice as engaging the *Network of Public and Private Partners*.

The Comprehensive Housing Strategy Task Force, a blue ribbon panel made up of two dozen housing experts, published a report in 2006, which included dozens of recommendations for improving affordable housing in the District of Columbia. Many of the recommendations have yet to be addressed. The Coalition for Nonprofit Housing and Economic Development urges the District to implement the Task Force Report and offers the following updated recommendations for creating and sustaining a *Continuum of Housing* across the District.

RECOMMENDATIONS

ADOPT POLICY AND PROCESS FRAMEWORK

The recommendations that follow constitute a framework for formulating public policy, allocating resources and engaging partners in order to effectively create housing opportunities for all in the District of Columbia. That framework consists of three vital components:

- Developing and Sustaining a *Continuum of Housing*
- Creating and Maintaining *Neighborhoods of Opportunity*
- Engaging the *Network of Public and Private Partners*

These components are not mutually exclusive, but are integral to each other. Engaging the *Network of Public and Private Partners* makes it possible to achieve the goal of providing a *Continuum of Housing* in *Neighborhoods of Opportunity* for every District resident.

Developing and Sustaining a *Continuum of Housing.* Having a place to call home is essential to the well-being of every resident of the District of Columbia. Decent, safe, affordable housing that is healthy and energy-efficient is critical to positive social, economic, educational and health outcomes for all residents. If housing suited to their needs is not available and affordable, residents are set up to fail. A continuum of affordable housing options is essential to providing an avenue for District residents to move beyond poor living conditions, stabilize their lives and obtain greater control over their housing environment. The ultimate goal of the Housing Continuum is for District residents to have the opportunity to choose the type of housing that best meets their needs and empowers them to gain greater self-sufficiency.

Recommendation: *The District should declare as official policy its intention to develop and sustain a Continuum of Housing serving all residents in every neighborhood, and reflect that policy in its budget and program priorities.*

Creating and Maintaining *Neighborhoods of Opportunity.* District housing policy directly impacts the success of neighborhoods as places of opportunity for residents. The *Continuum of Housing* in a neighborhood must be affordable and address the diverse needs of its residents for housing and related services in order for them to succeed in other areas of their lives. Outcomes for residents in turn contribute directly to the success or failure of their neighborhoods. Thus, while the District is developing "new neighborhoods," it must recognize that residents who live in existing neighborhoods are the predominant stakeholders in the life of the city. Creating and preserving opportunity and diversity, preventing involuntary displacement and providing an affordable *Continuum of Housing* is vital to residents' well-being, the health of neighborhoods and the quality of life for the entire city.

Recommendation: *The city should strategically employ resources and tools that will help to create and maintain a Continuum of Housing as the foundation for Neighborhoods of Opportunity. The following "critical housing issues," as stated in the Housing Element of the District's Comprehensive Plan, should be followed in setting policy priorities for the Continuum of Housing on a neighborhood-by-neighborhood basis.*

- *Ensuring housing affordability*
- *Fostering housing production*
- *Conserving existing housing stock*
- *Promoting homeownership*
- *Providing housing for residents with special needs*

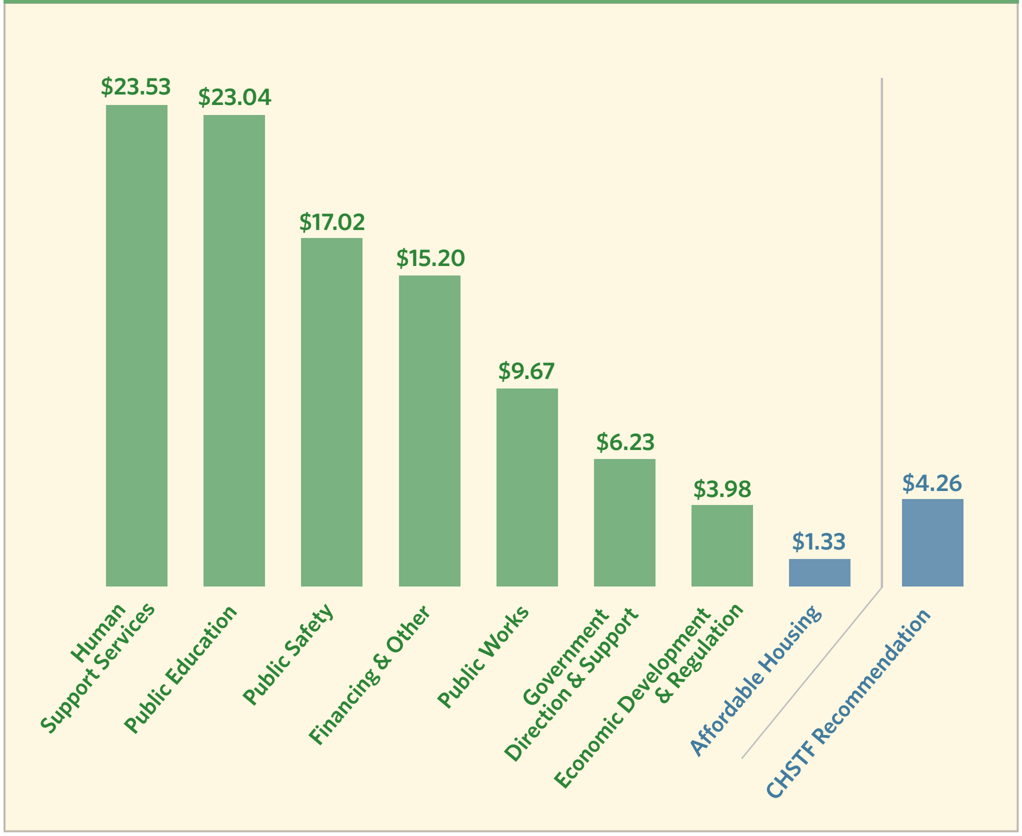
Engaging the *Network of Public and Private Partners.* A community of shared interests is essential if we are to achieve the goal of providing a *Continuum of Housing* in all of our neighborhoods. The District Government and its non-profit and for-profit partners must recognize their mutual dependency in providing a *Continuum of Housing*. Transparency and openness to developing solutions based on the collective wisdom and experience of the entire *Network of Public and Private Partners* is needed. This is particularly true in providing housing that addresses the needs and choices of lower income residents. Nonprofit partners play a unique and essential role in providing the various types of housing that constitute the full Continuum. Typically they provide the housing and services required by residents with special needs that stem from chronic homelessness, mental illness or HIV/AIDS. They offer vital assistance to tenants seeking to purchase their buildings to avoid displacement. Nonprofit and mission-driven for-profit developers often are best suited to produce other types of housing affordable to the lowest income resident ranging from assisted rental housing to homeownership. Other private partners include housing counselors, lenders, intermediaries, consultants, attorneys, architects and many others, all of whom contribute to the rich mix of participants required to produce and sustain the *Continuum of Housing*.

Recommendation: *The District Government and its private sector partners must recognize the interdependency of the public and private sectors in achieving a Continuum of Housing and adopt a spirit of constructive engagement to achieve it. Transparency and openness to developing solutions based on the collective wisdom and experience of the entire Network of Public and Private Partners is needed. As part of this network, nonprofits provide a crucial link between residents and government in providing the full Continuum of Housing. The District should acknowledge the unique role played by non-profits and mission-driven for-profits, and provide them with support to sustain their efforts. Examples of this support include adequate development financing, appropriate compensation for difficult housing development and operations and funding for supportive resident services.*

INCREASE RESOURCES FOR THE *CONTINUUM OF HOUSING*

Increase Local Funding: Decent, safe and affordable housing is essential to the health and well-being of our residents, our neighborhoods and the entire city. This core community value, however, is not adequately addressed by the level of local funding dedi-

FIGURE 7. **Share per $100 of the DC Locally Funded Budget – FY 2010**[80]



cated to the support of the *Continuum of Housing* in the District's annual budget.

The District like other jurisdictions has experienced a sharp decline in tax revenues since FY 2008. In order to address the resulting shortfalls, overall spending authority has been cut by five percent, while affordable housing suffered disproportionately with a cut of 34 percent. Affordable housing resources were reduced from $121 million in FY 2008 to $80 million for 2010 – a reduction effectively from $1.90 per $100 of the locally funded budget for 2008 to $1.33 per $100 of the budget for 2010.

So why does the FY 2010 Budget for the District of Columbia devote only $1.33 out of every $100 of local funds for this purpose? Where does affordable housing stand currently in the priorities of the District as reflected in its budget? The answer is apparent from the above chart that compares the amount of local funds devoted to affordable housing per $100 of budgeted spending versus amounts spent on other priorities in the FY 2010 budget (Figure 7).

If the recommendations of the District-appointed Comprehensive Housing Strategy Task Force were followed, the city would more than triple the $80 million of local funds currently budgeted for affordable housing to $255 million annually. At this level of funding, $4.26 out of every $100 of local funds would be devoted to supporting a *Continuum of Housing* affordable to residents in every neighborhood. This investment could at the same time reduce the corresponding need for spending on human services, public safety and health.

Recommendation: *The District should increase its locally funded budget designated for affordable housing from $80 million ($1.33 per $100) to $255 million ($4.26 per $100) as called for in the Comprehensive Housing Strategy Task Force Report. The District should commit to a five-year schedule of annual budget increments to reach this funding goal (see Table 4, p. 45).*

Maximize Use of Federal Resources. The city has been quite successful in gaining its fair share of American Recovery and Reinvestment Act federal stimulus dollars for housing. However, more could be done with federal resources to encourage the production of additional units of affordable housing, particularly permanent supportive housing. One way is for the city to work with the DC Housing Authority to tie federal rent subsidies, such as VASH (Veterans Affairs Supportive Housing), the Housing Choice Voucher Program and Annual Contributions Contract (ACC) funding to the production of housing. The City should recognize that the federal government has made it increasingly possible for nonprofits to apply separately or in conjunction with local governments for competitively awarded federal funding. The District might strengthen its chances of receiving federal funds by submitting joint applications with consortiums of nonprofit partners.

Recommendation: *The District should utilize federal rent subsidies as a financing tool for producing permanent supportive housing, and should partner with nonprofits in applying for federal funds to support affordable housing.*

Tap New Local Resources. The District could use one-time funding sources, such as the sale of land, to supplement funding for the Housing Production Trust Fund and First Right Purchase Assistance Program. It could follow the example of Austin, Texas, which has created a home preservation zone funded through tax increment financing (TIF). Another possible source of funding could be from developer contributions for Planned Unit Developments (PUD) or alley closings. Property tax abatements could be used more extensively to provide ongoing support to affordable rental housing by lowering operating costs.

Recommendation: *The District should identify and commit additional revenue resources to support affordable housing including proceeds from the sale of land, tax increment financing, alley closing fees, developer contributions from Planned Unit Developments and property tax abatements.*

Maximize Use of the Network of Private Resources. The realization of the full *Continuum of Housing* depends on a diverse network of private resource partners — each with an important role in making the housing system work. A previous recommendation addressed the importance of nonprofit affordable housing producers and mission-driven for-profits in achieving the *Continuum of Housing* in *Neighborhoods of Opportunity*. The housing producers can fulfill their role only with the participation of local commercial and community banks, nonprofit lenders, intermediaries and other funders in financing their projects and supporting their operations. Federal and local government agency financing combined with private sources are all essential to financing affordable housing and supporting the operations of nonprofit housing producers and providers, housing counseling agencies, and other support services. Additionally, private investors are key to the ability of the District to make creative use of the federal government's Low Income Housing Tax Credit and New Markets Tax Credit programs.

Recommendation: *The District government and the network of private resource partners should join forces to support a Continuum of Housing in the District of Columbia. The District should coordinate its underwriting practices and gap financing with private lenders and consider establishing a local tax credit investor pool in order to maximize leverage of private investment in affordable housing and expand the market for tax credit equity financing. The network of private resource partners should look to cities such as Seattle for a model to emulate, where a consortium of local partners has created a planning and funding structure to address the elimination of homelessness.*

STRENGTHEN LOCALLY FUNDED *CONTINUUM OF HOUSING* PROGRAM TOOLS

The District has created some of the most innovative program tools in the nation for financing the development and operation of affordable housing including the Housing Production Trust Fund, Home Purchase Assistance Program, Local Rent Supplement Program, First Right Purchase Assistance Program and the Housing First Fund. Yet, unreliable funding and in some instances inadequate planning and coordination have reduced the effectiveness of these key District housing programs.

Housing Production Trust Fund.
Administered by the Department of Housing and Community Development (DHCD), the District's Housing Production Trust Fund has supported the production of nearly 7,000 units of affordable housing since 2002. It is the primary source of financing for much of the affordable housing continuum described in Chapter III – including homeownership, rental housing, supportive housing, tenant purchases, preservation of federally funded project-based Section 8 rent-assisted buildings, the Community Land Trust, New Communities, and more. Unlike some housing trust funds, the District's is targeted very intentionally at producing and preserving affordable housing for very low income households. Authorizing legislation requires that not less than 80 percent of the Fund must be used to house those whose income is less than 50 percent of area median income. It is truly the backbone of the city's efforts to help those who need help the most – individuals and families who have the severest housing cost burdens [see Chapter II].

The Trust Fund has proven to be a very effective tool for attracting private funds to the production and preservation of affordable housing, leveraging nearly $3 for every $1 it provides. It is the city's most flexible production tool and can be combined with federal Low Income Housing Tax Credits, tax-exempt bonds, other federal funding sources and the District's Local Rent Supplement Program to develop projects for every sector of the housing continuum from special needs supportive housing through affordable homeownership.

The effectiveness of the Housing Production Trust Fund, however, has been severely compromised due to a dramatic decline in deed recordation and transfer tax collections – the Fund's principal source of capitalization. This decline is the result of a sharp reduction in real estate sales stemming from the current recession beginning in 2008. In FY 2007, the Fund collected $59 million in dedicated taxes compared to only $18 million projected to be received in FY 2010 — $6 million of which must be used to pay debt service on bonds issued to finance New Communities. DHCD's 2009 Trust Fund Report projects that there will be less than $4 million left in the Fund by the end of 2010. Thus the Housing Production Trust Fund will essentially be out of funds while still having more than $80 million in the production pipeline awaiting funding. No new projects can be financed for the foreseeable future without displacing projects already waiting for funding. The impact on tenants seeking to purchase and/or renovate their buildings in order to preserve affordability is devastating. In addition to lost opportunities to preserve affordable housing, the city is also forgoing the leveraging of private financing, including lower cost financing from nonprofit intermediaries that would be available to invest in affordable housing if local funding was also available.

In December 2008, the DC Council unanimously approved the "Housing Production Trust Fund Stabilization Amendment Act of 2008" to stabilize funding at $70 million for FY 2010 and $80 million for FY 2011, with future years funded at that level plus inflation. Because the legislation was passed outside of the budget process, it was made "subject to appropriation," which meant that it would not go into effect until the proposed funding amount was appropriated in the budget. Due to a severe revenue shortfall, neither the Mayor nor the Council could find the funds in the FY 2010 Budget to honor the intent of this legislation.

Funding Recommendation: *The District should increase the FY 2010 budget of $18 million by $10-15 million per year for five successive years to reach an annual Housing Production Trust Fund budget target of at least $80 million. This level of funding could finance the production of up to 1300 affordable homes. The DC Council should amend legislation it previously approved to stabilize the Trust Fund to specify specific annual funding amounts. In the near term, the District should look for opportunities to devote additional one-time resources to the Fund (e.g. from sale of land).*

Home Purchase and Employee Housing Assistance Program.
Administered by DHCD, the District's program to assist first-time homebuyers is an innovative, nationally recognized program that currently uses a combination of local and federal funding to assist first-time homebuyers with loans that cover down payments and closing costs. The Home Purchase Assistance Program (HPAP) is a vital tool for encouraging first-time low income homebuyers, providing up to $40,000 of down payment assistance and up to $4,000 for closing costs. The Employee Housing Assistance Program (EHAP) is a supplemental program for District government employees, which provides an additional deferred loan of up to $10,000 and matches up to $1,500 for down payment assistance. Both programs are operated through a contract with the Greater Washington Urban League. In addition to providing affordable housing, HPAP is the key tool used by the District to achieve the goal set by the Comprehensive Housing Strategy Task Force of increasing the rate of homeownership in the District.

Funding for HPAP is a combination of federal HUD funds, HPAP loan repayments, and local appropriated funding. The program's total budget rose to $34 million in the FY 2008 budget. This enabled the District to assist over 500 families and raise the upper limit of down payment assistance from $30,000 to $70,000. In FY 2009, funding for HPAP was disrupted – in fact brought to a halt – because of separate actions taken by DHCD and the DC Council. Both entities chose to cut back on HPAP funding which ultimately resulted in cutting program funding by one-third. Prospective homebuyers who had HPAP notices of eligibility in hand, and even some who had signed purchase contracts, were told they could not be funded. The matter was finally resolved, after a two-month hiatus, when the Council passed emergency legislation to restart the program and DHCD scaled back the maximum loan to $40,000. HPAP funding for FY 2010 has fallen further to $19 million, the lowest level since FY 2006, of which only $6 million is ongoing local funding. As a result, DHCD estimates it can fund only about 400 home purchases in FY 2010. Coupled with more stringent credit and lending criteria by mortgage lenders, the reduced level of HPAP assistance means that a number of lower income families that need the most help will not be able to purchase a home.

Funding Recommendation: *The District should increase the FY 2010 locally funded budget allocation of $6 million by $13 million to replace current one-time funding. Thereafter the budget should be increased by at least $3 million per year for five successive years to reach an HPAP budget target of $34 million. This would restore the program to its 2008 funding level and provide DHCD with the flexibility to adjust HPAP loan limits to cover larger down payment requirements as median prices of starter homes rise.*

Policy/Process Recommendation: *The District should take the steps needed to avoid disruptions to the HPAP program such as occurred at the end of 2008. As with other affordable housing programs, funding stability and predictability are crucially important for HPAP. Developers, realtors and homebuyers must be able to rely on HPAP loan commitments in order to maximize the effectiveness of the program.*

Local Rent Supplement Program.
Administered by the DC Housing Authority (DCHA), the Local Rent Supplement Program (LRSP) is one of the District's newest tools for affordable rental housing. Since its authorization in 2006, the program has proven to be an extremely useful and flexible tool for assisting the city's lowest income residents to rent affordably. The program pays the difference between what a resident can afford (defined as no more than 30 percent of gross household income) and a "fair market rent" established by DCHA. There are two components to the program: tenant-based vouchers and project/sponsor-based vouchers. Tenant-based vouchers are limited to the 26,000 households currently on the Public Housing Waiting List. Project and sponsor-based vouchers are tied to units produced (or in a few instances leased) by nonprofit housing providers, enabling qualified

residents to lease their apartments for no more than 30 percent of their household income. Often nonprofit providers are willing to provide this housing for less than "fair market rents." As a result, the District benefits because more affordable units can then be provided at less cost per unit.

To date, the LRSP has provided rent subsidies for nearly 700 families, who previously were on the public housing waiting list, enabling them to rent in the private market. The program is also supporting the production of more than 1,000 additional units of rental housing, all for extremely low income households earning less than 30 percent of area median income. Funding for LRSP was first approved in the FY 2007 Budget at $12 million and increased to $19 million in FY 2008. The budget for FY 2009 continued funding for the program with no increase, even for inflation. In FY 2010, the local funding appropriation for LRSP was reduced by $5.9 million to $13.1 million, with a directive to DCHA to use some previously unspent LRSP funds to offset the cut. This reduction in the 2010 appropriation is particularly troubling, because long-term rent subsidy commitments to existing projects have already been made based on the 2009 funding level. As a result, the funding level for the program is inadequate to cover inflation-based rent increases for units currently subsidized by LRSP. A negative consequence of this inconsistent and inadequate funding is that lenders and investors perceive the program as an unreliable source of operating income that is too risky to count as a source of operating income for the purpose of underwriting private debt and equity financing. This results in reduced levels of commercial and tax-exempt debt financing, which must be offset by increased low cost loan and grant gap financing from District programs, such as the Housing Production Trust Fund, to fully fund the cost of developing affordable rental housing.

In addition to funding difficulties, the program has suffered from a lack of coordination with other agencies and their affordable housing funding sources. At least seven project- and sponsor-based housing projects had received LRSP rent subsidy commitments in 2007 and 2008, but had not been able to commence construction and operation two years later because of shortfalls in funding from DHCD's Housing Production Trust Fund, Low Income Housing Tax Credits or other funding sources. If awards of production financing and rent subsidy funding were made simultaneously using a consolidated application and awards process, this problem could be minimized.

Funding Recommendation: *The District should increase the FY 2010 locally funded budget allocation of $13 million by $6 million to restore full funding to the program. Thereafter the budget should be increased by at least $5 million per year for five successive years to reach an LRSP budget target of $44 million. Annual funding would maintain LRSP as a valuable and reliable rental income source to support the production and sustain the operation of affordable housing for individuals and families on the public housing waiting list. This level of increased funding would annually supplement rents for 450 households and could assist in financing the production of up to 350 units of housing for extremely low income residents, including homeless families and individuals.*

Policy/Process Recommendations: *The District should develop an intentional strategy for utilizing LRSP to help achieve the goals set forth by the Mayor to house 2,500 chronically homeless individuals and families within five years. Additionally, it should set goals for reducing the public housing waiting list through the use of LRSP. LRSP funding should be incorporated into the District's production plan for permanent supportive housing units, with a coordinated plan for linking the awarding of LRSP for project and sponsor-based production with the awarding of funds from the Housing Production Trust Fund. DCHA should enter into memorandums of understanding with other DC agencies that finance affordable housing production – in particular DHCD and DCHFA – to coordinate the simultaneous awarding of firm commitments of development financing and rent subsidies.*

First Right Purchase Assistance Program.
Administered by DHCD, the District's First Right Purchase Assistance Program (FRPAP) has an almost 30 year history of supporting tenants' right to purchase their buildings. The program, designed to prevent displacement of tenants from buildings that are being sold, was formulated in 1981 following the passage of the "DC Housing Rental and Conversion Sale Act of 1980." Through the program the District offers technical assistance and low cost financing to low income tenants who form an association to exercise their right to purchase. This right, if the necessary financial assistance is made available, is most often used to acquire a building and convert it to a limited-equity coop. A more complete description of the program is contained in Chapter III.

As was mentioned in the discussion of the Housing Production Trust Fund, the District currently has a backlog of eligible projects seeking funding from the Trust Fund and federal sources, such as the Community Development Block Grant and the HOME program. Because of this backlog, DHCD has little money available for new tenant purchases or the renovation of buildings previously purchased by tenants. Thus the legislation that guarantees tenants the first right to purchase is at great risk of becoming an empty promise.

The challenge for many low income tenants seeking to purchase their building has been made even more difficult because of recent changes in the program regulations by DHCD. New underwriting regulations made effective in 2009 limit District financing to no more than 49 percent of the total acquisition and rehabilitation cost of a building. Inadequate funding, current credit market conditions and this change have make the program unworkable for tenants wishing to purchase and form limited equity cooperatives in high cost neighborhoods. Commercial lenders are unwilling to finance a tenant association for more than 50 percent of the cost of purchase and renovation, as required under the new regulations. Members of the Coalition for Nonprofit Housing and Economic Development, including affordable housing developers and local lenders, developed and submitted financing models to DHCD that demonstrated this impracticality. Rather than modify the regulations, DHCD has responded by launching an effort to utilize Low Income Housing Tax Credits (LIHTC) and New Markets Tax Credits (NMTC) to help finance tenant purchase projects. If successful, this approach would assist third-party partners of tenant associations to purchase their buildings while staying within the aforementioned 49 percent ceiling. This would be possible under DHCD's underwriting regulations, because the tax credit equity raised from private investors would not be counted as District financing. With the use of tax credits, however, residents would not retain the full rights of ownership that they currently enjoy under the FRPAP. With LIHTC, residents become renters for the first 15 years, after which they have the prospect of ownership if they are able to obtain financing and exercise their right to purchase at that time. With NMTC, residents may be able to become owners, but without retaining full control over the purchase, renovation and operation of their building. It should be noted that neither of the tax credit approaches has yet been fully tested, and even with tax credit financing, tenant purchase projects are expected to need additional DHCD funding.

Funding Recommendation: *To support tenants as purchase opportunities arise, the District should create a separate fund for First Right Purchase Assistance. It should be budgeted initially at $15 million per year and increased thereafter by $2 million per year for five years to reach a First Right Purchase Assistance Program annual budget target of $25 million. At full funding this would enable more than 200 tenant households each year to avoid displacement through purchase and conversion of their buildings to limited equity cooperatives or condominiums.*

Policy/Process Recommendation: *The District should revisit its published regulations for underwriting tenant purchase projects with local non-profit and for-profit lenders. Taking into account the terms of participation offered by commercial and nonprofit lenders, DHCD should establish a realistic set of underwriting standards for providing gap financing for tenant purchases that result in tenant ownership of either limited equity coops or condominiums. DHCD should waive provisions in the FRPAP regulations if necessary in order to fund tenant purchases that will protect tenants from displacement.*

Housing First Fund

Housing First was initially funded in the FY 2009 Department of Human Services Budget. Its purpose is to support the Mayor's announced goal of providing permanent supportive housing for 2,500 chronically homeless individuals and families, as called for in the District's Ten Year Plan to Eliminate Homelessness. Of the total $19 million budgeted, $7 million was to be used for capital spending to acquire and/or develop housing. The remainder was set aside for supportive services and for leasing housing units in the private market.

In a subsequent budget revision the $19 million appropriation for Housing First was reduced by the DC Council to $12 million, eliminating the funding for capital investments. Part of the rationale for the cut by the Council was their preference for all capital financing to be channeled through DHCD based on its proven capacity and mission to finance the production of housing. The $7 million cut, however, was never restored. Consequently, DHCD did not receive capital funding to finance the production of permanent supportive housing.

Recently the Congress appropriated $17 million for the District's Housing First initiative in FY 2010-2011, with an understanding that the District would continue to provide this additional funding from local sources in FY 2012 and beyond. Thus, the District will be expected to devote an additional $17 million in local funds to Housing First in FY 2012.

The District, unlike other cities such as New York City and Seattle, lacks a comprehensive plan for coordinating the resources of all of the city agencies that contribute to the production and operation of supportive housing for the homeless. It also lacks a consolidated funding approach, such as a consolidated RFP, for combining development finance, operating subsidies and supportive services for the purpose of financing the production and operation of supportive housing.

Funding Recommendation: *The District should increase the FY 2010 locally funded budget level of $12 million in the near term by reinstating the $7 million capital component of the program. Starting in FY 2012, it should replace $17 million of one-time federal funding with local funds and thereby reach a Housing First annual budget target of $36 million. This level of funding could maintain more than 200 formerly homeless families and 800 individuals in permanent supportive housing, while financing the production of up to 100 permanent supportive housing units each year.*

Policy/Process Recommendation: *The District should adopt a comprehensive plan for coordinating its interagency resources that could be used to produce and provide permanent supportive housing. It should also institute a coordinated funding approach using a consolidated Request for Proposals or application for financing the production of supportive housing.*

TABLE 4. Proposed 5-Year Budget Increases for Affordable Housing ($ millions)

Affordable Housing Program	Local Funding FY 2010	Local Funding in 5 Years
Housing Production Trust Fund	$18	$80
First Right Purchase Assistance	Funded by HPTF	$25
Local Rent Supplement Program	$13	$44
Home Purchase Assist. Program	$6*	$34
Housing First Fund	$12	$36
Other Affordable Housing	$31**	$36
Total	$80	$255

* FY 2010 HPAP budget of $19 million includes only $6 million of ongoing local funding.

** Includes DHCD staffing and other DCHA and DMH programs.

IMPROVE PRACTICES AND PROCESS

Develop, Implement and Monitor a Plan for carrying out the Comprehensive Housing Strategy Task Force Recommendations. The 2006 Comprehensive Housing Strategy Task Force report contains numerous recommendations for improving District programs that are needed to create and sustain a *Continuum of Housing*. The Report includes a recommendation that an oversight committee consisting of Task Force members be appointed to monitor implementation of the strategy. Annual hearings are recommended to be held by the DC Council to review progress being made. The Task Force recommended that a coordinator be appointed by the Mayor with the authority to engage all affected DC agencies in developing a plan to implement its recommendations. The Mayor and Council have not followed through on these Task Force recommendations resulting in lost opportunities to comprehensively address the affordable housing challenges of the city.

Recommendation: *The Mayor and Council should proceed without further delay to implement the recommendations of the Comprehensive Housing Strategy Task Force and monitor progress toward achieving them.*

Improve Practices For Financing Affordable Housing. The 2005 Housing and Community Development Reform Advisory Commission report included a number of recommendations for streamlining and making more transparent DHCD's process for financing affordable housing. The more recent Comprehensive Housing Strategy Task Force noted similar issues regarding the overall District approach to producing housing and focused heavily on the need for better coordination and oversight of programs among all housing agencies. DHCD has made significant progress in implementing the recommendations of the Reform Commission, significantly shortening the processing time for most loans. But a recent CNHED survey of lenders and practitioners found that many of the District-wide obstacles to producing affordable housing identified in the aforementioned reports still exist. Several of these obstacles and recommendations to address them follow:

IMPROVE INTERAGENCY COORDINATION. Just as there is a network of private sector resource partners needed to produce and operate affordable housing, there is a network of DC agencies that must collaborate in order to effectively utilize local and federal funds. A prime example of the challenges encountered in coordinating various agencies is in the production and operation of permanent supportive housing, a task that has three major parts – financing the development of the housing, providing the funds to subsidize the rents and operation of the housing, and providing on-site supportive services needed by the residents of the housing. Funding for these three major components typically comes from three different DC agencies. In addition, when providing the funding and handling the associated regulatory process, a supporting cast of offices such as the Office of the Attorney General, Department of Consumer and Regulatory Affairs, Department of Employment Services must be engaged. Based on the results of a recent survey of practitioners conducted by CNHED, the process of interagency coordination often does not work well, requiring extraordinary efforts to move projects through the system.

Recommendation: *District agencies should build on some of their own successful efforts to coordinate, such as the collaboration between the Department of Housing and Community Development and the Department of Mental Health to finance supportive housing. The District should also coordinate the five year Consolidated Plan being developed by DHCD with the Interagency Council on the Homeless Five-Year Strategic Plan. The District should adapt models from other jurisdictions, such as permanent supportive housing collaborations in New York City and Seattle, to develop more streamlined, transparent and accountable coordination in support of the provision of affordable housing. The District should appoint a high-level coordinator to help ensure that all of the agencies involved in the production and operation of permanent supportive housing perform their respective functions in a timely and effective manner.*

RECOGNIZE APPROPRIATE ROLE OF PUBLIC FINANCING. Affordable housing developers must layer financing from a variety of sources to make projects feasible. District government housing agencies are essential in providing gap financing for affordable housing projects that cannot obtain sufficient private debt and equity financing elsewhere. The mark of an effective public finance agency is its willingness to commit money early in the deal, defer repayment or negotiate creative repayment terms (including use of cash flow as a basis for repayment), and in general offer financing terms for loans and grants that will make the project work.

Recommendation: *DC agencies participating in the financing of development projects should maximize private and minimize public financing by offering more reasonable terms for the public financing they provide. They should also allow essential resident services for low income tenants to qualify as an operating expense in assisted rental housing.*

STREAMLINE AND EXPEDITE FINANCING AND PROGRESS PAYMENTS. Developing affordable housing is a time sensitive business. Well before a property can be acquired the affordable housing developer begins to incur costs to assess the project's feasibility. The cost of acquisition, new construction or renovation must be financed with borrowed funds which have a carrying cost. Thus it is critically important that public finance agencies move expeditiously to provide debt and equity financing and make prompt progress payments to the developer as construction proceeds. District housing agencies typically do not have firm timelines for underwriting the financing of affordable housing projects, are slow to give firm commitments for financing, including Low Income Housing Tax Credit commitments, and as a rule do not commit to processing construction draws within specified timeframes. The lack of standardized loan documents at some agencies further slows the financing process. Add to this the considerable variation in the quality and training of project managers and loan officers who process loan applications, and the result is a difficult and unpredictable environment for the financing of affordable housing.

Recommendation: *DC agencies involved in the financing of affordable housing through development finance, rent subsidies and supportive services, should adopt and enforce timelines for submitting and processing applications for funding and progress payments that apply to housing developers and government agencies alike. Agencies that provide support services related to the financing of affordable housing, such as the Office of Attorney General, should adhere to similar timelines for the work they perform, as well as use standardized documents. The personnel who are assigned to handle these transactions should be seasoned professionals who have had previous experience with the development and/or financing of affordable housing.*

Increase Transparency. There must be private as well as public investment in order to provide a Continuum of Affordable Housing in the District. The District government must be viewed as a reliable investment partner in order to attract and retain private sector non-profit and for-profit resource and production partners. Certain basic information and assurances are needed by its partners, including an indication of which programs are currently available to finance affordable housing, a description of the regulations, procedures, process and timing for accessing those programs, and a compilation of the financing requested for projects in the pipeline. Financing requested should be compared with the amount of current funding available and the availability of new resources projected for the future.

Recommendation: *District agencies should disclose the financial status of all affordable housing programs and projects in their development pipeline on a quarterly basis along with an accounting for all local and federal resources available to fund the pipeline. Agencies should formulate and publish action plans with timelines for funding projects in the pipeline and making funds available for new projects.*

Modify Policies and Practices of Homeownership Programs. District homeownership programs have affordability restrictions that are inconsistent and sometimes confusing, may lack adequate upfront homebuyer disclosure, counseling and education, and rely too heavily on the first-time homebuyer for compliance. Calculations used in affordability covenants that describe the process for resale to another homebuyer can be confusing and overly complicated. Inconsistencies in restrictions range from a minimum requirement that the initial subsidy be repaid upon sale with no resale price restriction to limitations on resale price lasting 15 to 20 years or in perpetuity. There are no uniform requirements for educating new homebuyers about affordability provisions that affect resale restrictions and equity potential. Upon resale, District programs place the burden of finding an eligible homebuyer on the homeowner and their agent.

There is general agreement among most affordable housing developers that the initial subsidy provided to the buyer of an affordable home should be returned and recycled upon sale, as is the policy of the District's Home Purchase Assistance Program. There is a range of views on homeownership models, however, concerning how long resale price restrictions should apply to preserve affordability and the amount of equity gain a low income homeowner should be able to realize upon sale.

Recommendation: *The District should modify certain practices in its homeownership programs to increase clarity and eliminate confusion, establish greater consistency among like programs, provide adequate homebuyer disclosure, education and counseling and relieve homeowners of the full burden for compliance.*

Recommendation: *The District should review and modify where appropriate homeownership program affordability restrictions to balance the benefits of preserving the long-term affordability of housing with the opportunity for low income homeowners to build assets through capturing a larger share of equity gain in their homes. Traditional homeownership programs that emphasize the opportunity to build assets must be an integral part of the City's overall Continuum of Housing. District resources should be allocated in a manner that supports homebuyer choice among the various models of homeownership.*

[1] The Housing Act of 1949 established and the National Affordable Housing Act of 1990 reaffirmed our nation's housing goal of *a decent, safe, sanitary, and affordable living environment for every American.*

[2] Examples include the Home Purchase Assistance Program (HPAP), First Right Purchase Assistance Program (FRP), Site Acquisition Funding Initiative (SAFI), Local Rent Supplement Program (LSRP), Land Acquisition for Housing Development Program (LAHDO), and the Housing First Fund.

[3] *District of Columbia Comprehensive Plan — 2006, Chapter 5, Housing Element* prepared and updated by the DC Office of Planning

[4] *Vital Links: Housing's Contributions to the Nation's Health and Education Objectives* by Jeffrey Lubell, Rosalyn Crain, and Rebecca Cohen of the Center for Housing Policy (2007)

[5] Washington DC, Alexandria City, Fairfax City, Falls Church City, Fredericksburg City, Manassas City, Manassas Park City; and Calvert, Charles, Frederick, Montgomery, Prince Georges, Arlington, Clarke, Fairfax, Fauquier, Loudon, Prince William, Spotsylvania, Stafford counties. (Source: Federal Register, Department of Housing and Urban Development, Vol. 74, No. 148, Tuesday, August 4, 2009.)

[6] Area Median Income is adjusted for household size ranging from one to eight persons as follows based on $102,700 AMI for a family of four as of 3/19/2009. Source: DC Department of Housing and Community Development website — Income Limits. See table below.

Maximum Homebuyer/ Tenant Income	Household Size							
	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Extremely Low (0-30% of AMI)	21,567	24,648	27,729	30,810	33,891	36,972	40,053	43,134
Very Low (31-50% of AMI)	35,945	41,080	46,215	51,350	56,485	61,620	66,755	71,890
Low (51-80% of AMI)	57,512	65,728	73,944	82,160	90,376	98,592	106,808	115,024

[7] Keynote address, *From Despair to Hope: Two HUD Secretaries on Urban Revitalization and Opportunity*, Brookings Institution, National Press Club, Washington, DC, July 14,2009

[8] Testimony of Dr. Susan J. Popkin, Director, Program on Neighborhoods and Youth Development, The Urban Institute, prepared for the hearing on Academic Perspectives on the Future of Public Housing, U.S. House of Representatives Committee on Financial Services, Subcommittee on Housing and Community Opportunity, July 29, 2009

[9] Fair Market Rent History System, HUD, www.huduser.org

[10] *Nowhere to Go*, DC Fiscal Policy Institute, February 5, 2010, p. 10

[11] Fair Market Rent History System, HUD, www.huduser.org

[12] DC Fiscal Policy Institute, Testimony of Ed Lazere, Executive Director, Public Oversight Roundtable on Shelter Capacity for the Homeless, DC Committee on Human Services, July 17, 2009

[13] Ibid. (Income eligibility for food stamps for a family of 3 is up to about $24,000.)

[14] *Income Soaring in 'Egghead Capital',* Washington Post, September 2, 2007

[15] HUD Notice PDR-2009-01, *Estimated Median Family Incomes for Fiscal Year 2009, District of Columbia,* p.6. An Alternate measure is published by the U.S. Department of Health and Human Services, Office of Community Services, *State Median Income Estimates for FY 2009,* with a 4-person family median income of $71,571.

[16] *Analytical Perspectives*, Office of Management and Budget, Fiscal Year 2005

[17] *Historical Tables*, Office of Budget and Management, Fiscal Year 2004

[18] Executive Office of the President, Office of Management and Budget, Public Budget Database, www.whitehouse.gov/omb/budget

[19] ibid.

[20] *The Housing Policy Revolution — Networks and Neighborhoods*, David J. Erickson, The Urban Institute Press, Washington, DC, 2009

[21] The leading national nonprofit "intermediaries" that emerged to support the devolution of affordable housing production from HUD to a decentralized network of local governments and the nonprofit sector are the Enterprise Foundation, the Local Initiatives Support Corporation (LISC), and the Neighborhood Reinvestment Corporation (NeighborWorks).

[22] The key "government-sponsored entities" (GSEs) in affordable housing production financing are the Federal Nation Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Bank System

[23] Federally regulated banks are subject to being rated for their "community lending and grant making" under the Community Reinvestment Act (CRA).

[24] The D.C. Housing Authority administers the HUD-funded Housing Choice Voucher Program (HCVP) and the District-funded Local Rent Supplement Program (LSRP).

[25] *Nowhere to Go*, DC Fiscal Policy Institute, February 5, 2010, p. 6

[26] US Census Bureau, American Community Survey, 2007

[27] ibid.

[28] *The Final FY 2010 District of Columbia FMR Summary,* www.huduser.org

[29] Includes public housing, privately-owned rental housing, and limited-equity housing. Source: National Low Income Housing Coalition

[30] In the District, the minimum *housing wage* to afford the HUD Fair Market Rent of $1,494 for a two-bedroom apartment is nearly $29 an hour based on a 40 hour work week. The District's minimum wage is $8.25 an hour.

[31] *District of Columbia Strategic Plan to End Homelessness*, Adrian M. Fenty (Mayor), Clarence H. Carter (Director, DC Department of Human Services), Interagency Council on Homelessness-DC, April 2010

[32] Currently in the District, there are 202 units of SRO housing operated by six nonprofit housing providers.

[33] *District of Columbia Strategic Plan to End Homelessness*, Adrian M. Fenty

(Mayor), Clarence H. Carter (Director, DC Department of Human Services), Interagency Council on Homelessness-DC, April 2010

34 *Cost of Serving Homeless Individuals in Nine Cities*, The Lewin Group, published by Corporation for Supportive Housing, November 2004

35 The Community Partnership for the Prevention of Homelessness, 2009

36 *Permanent Supportive Housing in the District of Columbia: Taking Stock and Looking Forward*, The Urban Institute, Martha Burt and Sam Hall, August. 25, 2009

37 Ibid.

38 U.S. Department of Housing and Urban Development Website: http://portal.hud.gov

39 Ibid.

40 US Census Bureau, American Community Survey Fact Finder, 2006-2008

41 *DC Preservation Catalog*, National Low Income Housing Coalition, April 16, 2010

42 *Federally and Locally Subsidized Units Available for Low Income Families by Program* (DCHA prepared chart for 2008 Real Estate Symposium)

43 *Income Levels (AMI) of Families Served, 2008* (DCHA prepared chart for 2008 Real Estate Symposium)

44 DC Fiscal Policy Institute, Testimony of Jenny Reed, Policy Analyst, FY 2011 Budget Oversight Hearing for DCHA, May 5, 2010

45 *DC seeks to prune housing wait list*, The Examiner, Dana Levitz, January 10, 2008

46 HUD's 2009 estimated DC Median Family Income of $64,600 (see endnote 15) is equivalent to 63 percent of the Metropolitan Area Median Income of $102,700 for a 4-person household.

47 DC Home Purchase Assistance Program loans are funded by the DC Department of Housing and Community Development.

48 Some research studies include limited-equity cooperatives in this housing sector. Although LEC operations resemble rental properties in some respects, they are treated as a type of homeownership in this report. The rarely used leasing cooperative model, however, is essentially a form of rental housing.

49 *DC Preservation Catalog* , www.PreservationCatalog.org, National Low Income Housing Coalition, 2010

50 Formerly known as the Section 8 Rent Assistance Program

51 DC Housing Authority, www.dchousing.org

52 Source: District of Columbia-Fact Sheet-American FactFinder, U.S. Census Bureau

53 *Ward 8 Comprehensive Housing Analysis*, Bay Area Economics, CNHED, August 28, 2008

54 Greater Washington Urban League, Washington, DC, Administrator of District of Columbia Home Purchase Assistance Program.

55 District of Columbia-Fact Sheet-American Fact Find and Selected Housing Characteristics: 2008,

56 Urban Institute, *2006 Housing in the Nation's Capital*, published by the Fannie Mae Foundation.

57 In 2005, cafeteria and other institutional cooks earned an average of $28,310 and middle-school teachers earned an average of $53,780. (Source: Urban Institute)

58 Urban Institute, *2006 Housing in the Nation's Capital*, published by the Fannie Mae Foundation

59 *Washington, DC Workforce Housing Land Trust: Design and Implementation Plan*, Executive Summary, CFHOMES

60 ibid. Homebuyer incomes may range up to 120 percent of AMI

61 Given typical market performance, sellers will enjoy significant financial return. It is noted, however, that there are risks as well as benefits to homeownership. The Pilot ties its program to the market. Should market declines in home prices occur, the resulting losses may be felt by the homeowner, the secondary mortgagee (CFHOMES) and the primary mortgagee, depending on the severity of the loss. No minimum ownership period is required by the program. (Source: CFHOMES Executive Summary, 2008)

62 For sales under $400,000 the transfer and recordation tax are each 1.1 percent of the purchase price; at or above $400,000, the rate for each tax is 1.45 percent of the purchase price.

63 Lower Income Homeownership Tax Abatement and Incentives, DC Office of Tax and Revenue, DC Code §47-3502

64 *A Picture of Subsidized Housing, 2000*, HUD, and the National Low Income Housing Coalition, 2010

65 The federal Low Income Housing Tax Credit Program and Historic Tax Credits (for designated historic landmark properties) are the key programs for attracting private equity investments to reduce the amount of development costs funded by long-term (permanent) mortgage debt.

66 Foreclosures in the Nation's Capital 2009, Urban Institute, October 28, 2009

67 District of Columbia Housing Monitor Spring 2009, Source: D.C. Recorder of Deeds and Real Property data tabulated by Neighborhood Info DC.

68 Washington, D.C. Metropolitan Area Foreclosure Monitor — Spring 2010, Metropolitan Washington Council of Governments

69 Neighborhoods and the Black-White Mobility Gap: an Initiative of The Pew Charitable Trusts

70 Known as "College Hill," Columbian College (the predecessor to George Washington University) was chartered in 1822 and located on Florida Avenue near the present-day Meridian Hill Park.

71 The lead government agencies involved in developing the 14th Street Urban Renewal Plan (1969 – 1973) were the Redevelopment Land Agency (RLA) and the National Capital Planning Commission. The Plan set forth development goals and land use controls for the parcels assembled by RLA for major new residential and commercial projects to be undertaken by private developers.

72 The area of the 14th Street Urban Renewal Plan was bounded by Florida Avenue, 15th to 16th Streets, Spring Road and 11th Street.

73 The Samuel J. Simmons — NCBA Estates, 2801 14th Street, NW, provides 175 independent living units for seniors from age 62.

74 Compiled from *DHCD Funded Projects*, DHCD Website: http://dhcd.dc.gov; *Affordable Housing Production Report*, http://dcbiz.dc.gov; *Preservation Catalogue for the District of Columbia*, November 2009, www.nlihc.org

75 In Zip Code 2009, the estimated median household income was $50,766 in 2009 — a 20 percent increase since 2000 and a 79 percent increase since 1990. Source: homes.point2.com

76 Source: www.city-data.com for Zip Code 20009

77 DC Office of the Deputy Mayor for Planning and Economic Development, Columbia Heights Neighborhood Investment Fund (NIF) Plan, April 2008

78 W. C. Smith & Company web site: www.williamcsmith.com

79 *A Vision for Ivy City, Washington, D.C.*, A. Nelessen Associates, Inc., 2005

80 DC's FY 2010 locally funded budget includes local funds, dedicated taxes, and special purpose revenue totaling $5.993 billion. CHSTF recommended funding level is $255.4 million - $56 million baseline plus $199.4 in recommended increases.

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1432 U Street, NW, 1st Floor Annex
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