LISC Washington, DC

PRESERVATION WORKS

LISC DC's Role in Preserving Quality Affordable Housing

Local Initiatives Support Corporation
www.liscdc.org

OCTOBER 2016

Dedicated to Ramon Jacobson,
LISC DC Senior Program Officer
We owe our success in financing the preservation of affordable housing to your creativity, commitment, and sense of humor.

Founded in 1982, the Washington, DC Local Initiatives Support Corporation (LISC DC) is one of 31 sites of the national community development organization, the Local Initiatives Support Corporation (LISC). Our mission is to help create healthy and sustainable neighborhoods of choice and opportunity –good places to live, work, raise children and conduct business.

We mobilize corporate, philanthropic, individual donor and government resources and invest them into the projects, programs and initiatives that build on the assets and address the challenges of the neighborhoods in the District of Columbia. We are a lender, donor, advocate, convener, facilitator, and technical assistance provider.

Learn more about LISC DC at www.liscdc.org.

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Executive Summary

Access to affordable housing should not be among the daily concerns of low-income households. Yet, it is. In fact, according to a recent study, the ***Community Listening Project***,[1] the dominant stress among low-income residents in the District of Columbia is finding and keeping affordable housing. In a city where the increases in housing costs outpace the growth in household earnings, quality affordable housing is elusive for many.

One key to addressing the need is to preserve the existing, occupied multi-family apartments that already meet the needs of lower income households. Preservation can be less costly than building new units, but more importantly, preserving existing stock helps families avoid displacement and feel more secure about their place in the District of Columbia.

The Washington, DC LISC program (LISC DC) has taken action by investing in the preservation of existing affordable housing. This report highlights the role we have played over the last 30 years and tells the stories of residents who have worked tirelessly to preserve their homes, allowing them to live, work, and raise their children with one less worry.

Preservation aligns with our mission and implements our two strategies – neighborhood revitalization and equitable development. Preservation supports revitalization by investing in quality housing, and it fosters equitable development by maintaining affordability for lower-income residents.

From 1988-2015, we made 113 investments in 76 properties located across the District of Columbia, resulting in the preservation of 3,701 apartments, cooperatives and condominiums. **Using maps, tables and charts, we tell the story of the results of our investments.** But simply stating the number of units preserved, or money invested, does not adequately depict the full impact of this work, or capture the value of our role.

To explain the impact of preserving affordable housing we let the families living in these apartments tell their own stories, so that those most immediately impacted by housing preservation could speak to its importance and challenges.

In the summer of 2015, we interviewed some of the residents of the properties and the staff of our various partners to present a more robust picture of the motivations behind preservation work, the complexities of the process, and the impact on people and neighborhoods.

Six of their stories are profiled in this report. Also highlighted is information about two preservation tools, the Tenant Opportunity Purchase Act (TOPA) and preservation through reinvestment in existing affordable stock.

There are many sources that will give you a wide range of statistics about housing in the city. We do not repeat this information in this report, because our goal is to not to elevate the problem but highlight the results of one solution.

[1] The Community Listening Project, sponsored by The DC Consortium of Legal Service Providers and authored by CUA Law Professor Faith Mullen and CUA Associate Professor/Chair of the Department of Sociology, Dr. Enrique Pumar as featured in “Being Poor in Washington means worrying about housing, survey finds.” The Washington Post, April 5, 2016.

Outcomes Achieved Through LISC DC Investing in the Preservation of Affordable Housing

As of 2015, LISC DC's total investment in affordable housing preservation in Washington, DC was $78,602,095 (see Figure 1).

Our investment tools include:

- small grants
- earnest money deposits
- predevelopment loans
- acquisition loans
- construction loans
- equity

Our participation has evolved alongside a rapidly changing city. Figure 1 displays the location and number of units financed by LISC.

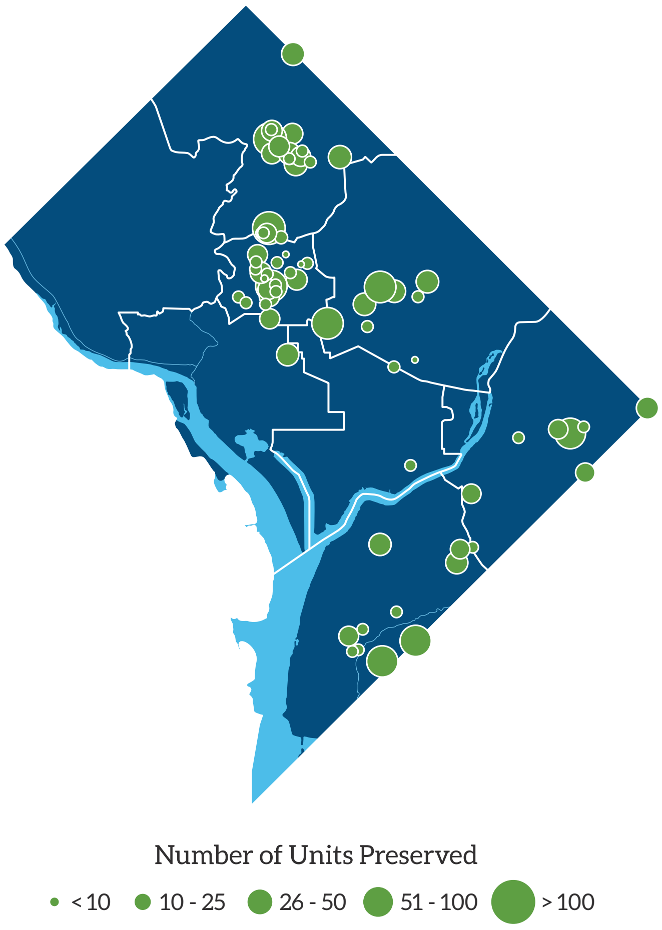
Number of Projects: 76

Total Units: 3,701

Number of Investments: 113

Total Investments: $78,602,095

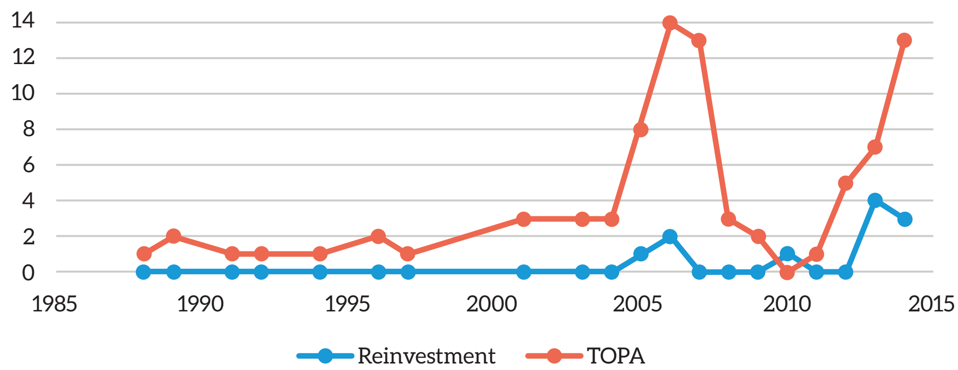
Affordable Housing Preserved by LISC DC Investments: 1988-2015



(Figure 1)

"We want to revitalize a neighborhood, but at the same time, we want to make sure that the people who make the city work—the janitors, the hospitality workers, the cab drivers, the teachers, the home health aides—can live in this city."

–Oramenta Newsome, LISC Program Vice President



(Figure 2)

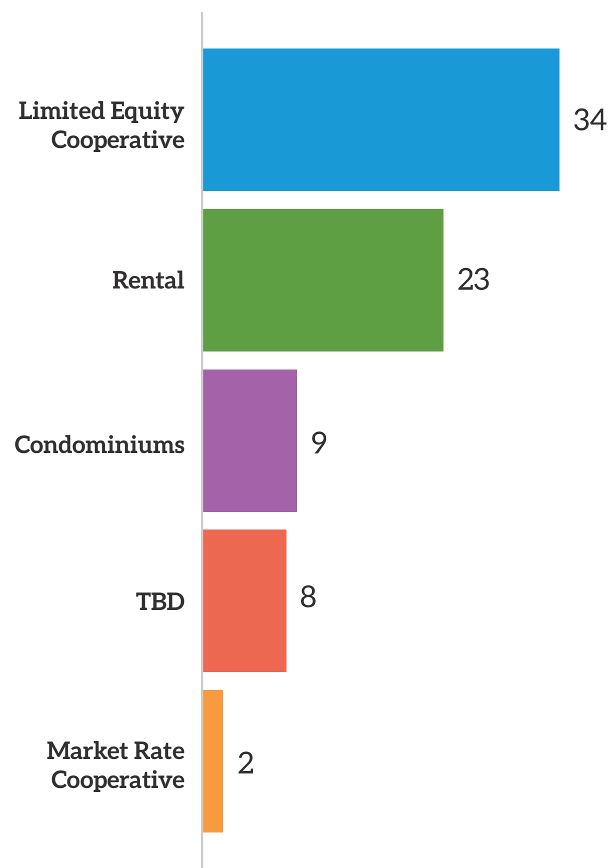
In the late 1980s through the early 2000s, we primarily supported tenant associations looking to purchase their building and form cooperatives. From 2005 to 2007, the total number of LISC investments in preservation projects increased, greatly surpassing previous years' totals (see Figure 2). When the recession hit in 2007, the total number of investments decreased as fewer buildings were sold, and because tenant associations were unable to secure financing for acquisition.

Some residents who acquired their homes just prior to the recession were unable to secure financing for construction for five or more years. This resulted in deteriorating living conditions until the financing was available for renovation. Broadly, the lack of funding available from public and private sources limited the ability of LISC DC and others to preserve affordable homes during this time.

Figure 3 illustrates the breakdown of the different ownership models (e.g., cooperatives, rentals, etc.) of our preservation projects. The majority of our preservation investments have supported cooperatives, followed by affordable rentals. There have been fewer condominiums and market rate cooperatives.

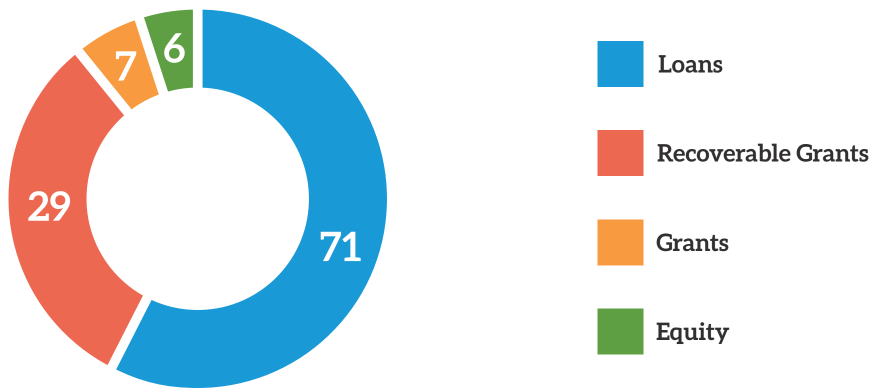
In recent years, an increasing number of investments have helped preserve affordable rentals. Due to changes in the mortgage market after the recession, our investments in condominiums have become less frequent. Over time, we also see an increasing number of investments in properties located throughout the city as opposed to a concentration in the northwest quadrant of the city.

LISC Preservation Projects: Ownership Types



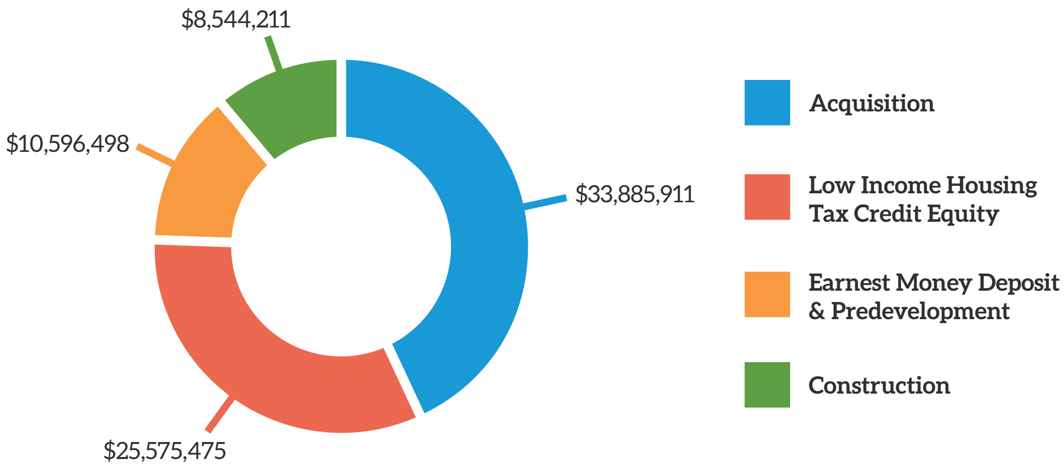
(Figure 3)

Types of Investments
(1988-2015)



(Figure 4)

Use of LISC DC Funds
(1988-2015)



(Figure 5)

Preservation through the Tenant Opportunity to Purchase Act (TOPA)

OVERVIEW
We have been aided in our work by the availability of a major preservation tool, the District of Columbia's Tenant Opportunity to Purchase Act (TOPA). TOPA gives tenants, as a tenant association, the first right to purchase their building if the owner plans to sell, demolish, or discontinue its use as rental housing. Tenants may also assign their purchase rights to a third party.

The primary purposes of TOPA, as explicitly stated in the law, include the preservation of affordable housing, the creation of affordable homeownership opportunities, and protection from displacement. Residents have multiple avenues through which to use their TOPA rights. Tenants can choose from the following (or in some cases, a combination):

1. To not exercise their rights. In this case, leases remain valid, but the new landlord could increase rents by petitioning the city. The landlord may also ask tenants to approve a voluntary agreement (to increase rents), or to convert the building to condominiums.

2. Tenants may negotiate for a buy-out price and then move out of the building once they are paid.

3. Tenants can assign their rights to another developer and negotiate a development contract.

4. Tenants can purchase the building and form a cooperative or create condominiums.

TOPA Timeline

(Figure 6)

LISC DC'S ROLE IN THE PROCESS
LISC DC supports residents engaged in the TOPA process by providing financing and technical assistance to tenant associations. A tenant association is a group of tenants who live in the same building or development who choose to join forces in advocating for themselves, particularly in dealings with the landlord or management. Over the years we have worked with nearly 50 tenant associations.

The requirements associated with the TOPA process make LISC DC's role particularly vital. For example, in order to exercise their rights, **tenants must secure an earnest money deposit equal to 5% of the sale price** within 120 days of registering their intent to purchase the property. While this is a relatively safe loan — the deposit is fully refundable — obtaining the loan in a timely manner can be a challenge for the tenant association (especially if the building has a large sale price). LISC DC's loans enable tenants to satisfy this requirement and continue with the process.

Acquiring a **predevelopment loan** also poses a challenge for tenants. These loans lack the statutory protection provided for the earnest money deposits and are typically unsecured, making the search for a lender especially challenging. LISC DC fills this gap.

Depending on the timing of the predevelopment loan, the money may be used to cover a variety of costs associated with the process. For example, the money may cover the costs of the attorney or development consultant, the environmental study, the lead assessment, appraisal, and physical needs assessments—all of which may be required to move forward with the purchase process.

While DC's Department of Housing and Community Development (DHCD) provides support to tenant associations through acquisition financing, the timing of the loan may not meet TOPA deadlines. In these cases, we cover this gap and provide **bridge loans for acquisition**. The bridge loans are repaid once the tenant associations secure their acquisition financing from DHCD. Similar situations occur with construction financing; we provide **construction loans** to tenant groups, which are often taken out with the City's permanent financing. In addition, we provide **equity** for acquisition and construction through our affiliate, the National Equity Fund, Inc. (http://www.nefinc.org/).

During our interviews, some tenants cited the symbolic or emotional importance of acquiring LISC DC's support. Once we demonstrated a belief in the tenant's ability to purchase his or her home, some residents felt more confident moving forward.

Other residents referenced the importance of LISC DC's advice and technical support. When times got rough for the tenants of the Pleasant Park Cooperative, Ms. Jordan, President of the Cooperative, said the following about LISC:

"I'm saying, he's (Ramon Jacobson, LISC DC staff) going to pull out, like everyone else. But he didn't. He did not pull out. He said I am going to work with you. He made good suggestions, and we followed them. And he has been a godsend. LISC DC was the first ones to loan us the money, to get us to where we are. And we haven't wavered."

- Brenda Jordan, President of Pleasant Park Cooperative

OUTCOMES ACHIEVED THROUGH THE TENANT OPPORTUNITY TO PURCHASE ACT (TOPA)
Housing preservation through TOPA, as witnessed by LISC DC, results in meaningful outcomes for residents (see Figure 7). Though outcomes may vary for each project, several consistent themes emerged throughout conversations with residents and others, including:

Preservation Through TOPA

- Helps residents avoid displacement
- Helps residents reap the benefits from revitalization while maintaining a connection to their community

Exercising TOPA Rights

- Results in positive, personal impacts for resident leaders, including increased familiarity with financing, housing development, and management
- Helps residents gain new connections to institutions and individuals

Homes Preserved Through TOPA

- Results in improved living conditions for residents with renovations that reflect their input
- Facilitates improvements and longer term preservation of the building
- Allows residents to become permanent stakeholders in the development of their neighborhood

(Figure 7)

Tenant Opportunity to Purchase Act (TOPA) Profiles

The following case studies illustrate the range of outcomes associated with housing preservation through TOPA.

812 JEFFERSON STREET TENANT ASSOCIATION (BRIGHTWOOD)

In late 2014, the residents of 812 Jefferson Street NW received a piece of certified mail, informing them of a rent increase of $200 a month. For most residents, the existing rent was already "barely affordable." Many of the residents of 812 Jefferson have lived in the neighborhood, if not the building, for decades, and the increase could have resulted in their displacement.

Several residents reached out to the Latino Economic Development Center (LEDC) for help. LEDC supported the residents as they organized into a tenant association to object formally to the landlord's hardship petition. Shortly after, the residents were notified of the owner's intent to sell. Developers began approaching the tenants with promises of improved living conditions and stable rent. The 812 Jefferson Street Tenant Association declined the offers, opting to pursue their own vision of improved common areas, increased security, stable rent, community space and maintaining a source of affordable housing in a changing city.

The tenants agreed to partner with Ray Nix and Hampstead as their development partner. With the help of an attorney, and through the bargaining power associated with TOPA rights, the residents negotiated for specific building improvements and affordability agreements. In order to secure the opportunity to assign their TOPA rights, the tenants at 812 Jefferson were required to provide an earnest money deposit of $100,000, an often difficult task due to the tight TOPA timeline that requires a very quick turnaround in loan acquisition. This gap created the opportunity for LISC DC's involvement. We provided a $100,000 earnest money deposit, helping the 812 Jefferson Street Tenant Association meet its deadline, and allowing the association to move forward. This resulted in the preservation of 55 affordable apartments.

Figure 8 - 812 Jefferson Apartments

Figure 9 - Mr. Ray Nix and Ms. Cynthia White receiving ANC approval for renovation of the building

"(We want to) keep it affordable so if you're not making $90,000 or better, you can still live in DC. You don't have to run to the suburbs....Everybody here, a lot of people, are on a fixed income. And that was another thing that pushed me to try to keep (it) affordable. "

–Cynthia White, President of 812 Jefferson Street Tenant Association

PLEASANT PARK COOPERATIVE (PLEASANT PARK)

On June 25, 2015, the residents of the Pleasant Park Cooperative gathered in the courtyard at 6243 Clay Street NE to celebrate the beginning of the renovation of their home. This gathering was the culmination of nearly 10 years of advocacy.

In March of 2006, the owners of Pleasant Park called a meeting with the tenants at the nearby recreation center and presented a proposal to turn the units into condominiums. In exchange for residents' affirmative votes (a process required by the DC Rental Conversion Act), the owner offered up to $15,000 to each tenant. The tenants, led by Ms. Brenda Jordan, opted to pursue their tenants' rights, organize as a tenant association, and seek a tenant purchase option under TOPA.

Early in the TOPA process, LISC DC provided a $100,000 predevelopment loan to serve as an earnest money deposit, allowing the tenants to move forward in the TOPA process and use the following eight months to secure acquisition financing. The tenants were able to purchase their building with city financing in 2007 and had promising leads on renovation funding.

The financial crisis and lack of city funding resulted in setbacks that prevented the cooperative from securing renovation financing until 2014. Until renovations could occur, residents were required to find short-term fixes to problems related to the electrical and plumbing systems, which were essentially in their original 1945 condition.

Figure 10 - Pleasant Park Groundbreaking Ceremony

During this time, Mi Casa, which served as a development consultant and cooperative training support group, worked with the residents to patch together solutions and to locate renovation financing. In 2014, we provided a $100,000 recoverable grant for predevelopment, as well as a $550,000 loan for construction, to help with renovation costs. Our financing created a more modern living environment, and helped residents fulfill their vision of having a permanent stake in the community's development.

"We've had so many people come and give us assistance. And I'm looking at the faces of those individuals who have not moved, who have actually, literally stood the test (of time). And stood up in here with us and said, 'This is my home. I know we are not without problems, but for now I'm just going to hang in there with you.' Whenever I'm talking to the residents, I tell them, 'I'm looking at something bigger than you and I.' It's bigger than that. It's our children. So our children can have a place, and say 'my mother, my grandparents, or whoever, took the time to preserve a place for me in the Washington Metropolitan area.' In this little small area, this is the last street- 63rd, it's the last street on the map."

–Brenda Jordan, Pleasant Park Cooperative President

MERIDIAN COZY CONDOMINIUMS (COLUMBIA HEIGHTS)

Many residents of Meridian Cozy Condominiums first moved into their homes on 15th Street NW in the late 1980's. By now, the 17-unit building overlooking Meridian Hill Park has housed multiple generations of families— providing a home for grandparents, parents, and their children. Residents are a diverse group, hailing from Central America, South America, and East Africa, and spanning across a wide age range.

In 1994, the owner of the building spoke to residents regarding the upcoming sale of the building and notified them of their TOPA rights. With the help of University Legal Services (ULS), the residents were able to organize, gather all necessary information, and purchase the building. The residents formed a limited equity cooperative, since not all residents qualified for individual mortgages and could not afford to purchase a condominium. The tenant association acquired city funding for acquisition and renovation. The residents moved out of their apartments temporarily during construction and returned to newly renovated homes in 1996.

From the beginning, the residents knew they would ultimately prefer to convert the cooperative to condominiums, and worked with their attorneys to include a legal provision to enable this process. The residents also knew that they would not convert to condos until everybody—all 17 units—were ready to do so. According to Ligia Pardo, Meridian Cozy resident, the residents were on the same page. She explained, "Like a family from the beginning, we started this together, and we're going to end it together. If somebody cannot do it, we're not going to do it." The residents ran into some difficulty finding mortgages. "We were not going to leave anybody behind. It took us a long time to do the whole process, but we kept asking around and asking around until we got to LISC DC," Ligia added.

Figure 11 - Meridian Cozy Condominiums

Recognizing the opportunity to support these first time homeowners, LISC DC provided a loan of $500,000 for acquisition and bridge financing in 2011. Since the original DHCD loan needed to be repaid in a lump sum, LISC DC's flexibility and financial support enabled the process to move forward. According to Ligia, both the creation of the cooperative and the conversion to condominiums were arduous and time-consuming, yet ultimately worth it. Columbia Heights has changed dramatically, and the residents' investment in the building sets them up nicely for the future. In the meantime, the residents are enjoying a high quality of life within the building, a sense of security in an appreciating market, and access to amenities in a revitalized neighborhood.

"If you cannot do it by yourself, and you can form a cooperative with a group, you have more strength than by yourself. That was our way of thinking—what took us through the whole thing. Together we can afford to do more things...."

–Ligia Pardo, Meridian Cozy Resident

Preservation through Reinvestment in Aging Housing Stock

OVERVIEW
The second preservation tool could be broadly defined as reinvestment through refinancing of existing affordable housing. Working with housing developers, we have used our resources to respond to the expiration of rental subsidies and the need for investing in an aging multifamily housing stock.

Our investments help maintain the affordability of units originally subsidized through the Low Income Housing Tax Credit (LIHTC) program. LIHTC is considered to be "the most significant federal program for the production and preservation of affordable housing."[2] Since 1987, LIHTC contributed to the production of two million units of affordable housing.[3]

LIHTC requires a 15 year compliance period, which maintains the affordability of the units. Buildings with LIHTC allocations after 1990 have an additional 15 year compliance period, resulting in 30 years of affordability. Many properties financed in the early years of the program are approaching the end of the compliance period, and thus present a significant risk of decreasing the overall affordable housing stock in the District of Columbia.

As this form of subsidy expires, property owners have several options, including applying for an additional round of LIHTC, continuing to operate the property as affordable housing without LIHTC, or repositioning the property as market rate.

If property owners choose the final option, for which there are significant financial incentives, the result could be a significant decrease in affordable housing. According to a study completed for HUD, in the worst case scenario, more than 1 million LIHTC units could leave the stock of affordable housing by 2020.[4]

Owners of affordable properties may have to find creative ways to refinance and to fund renovations. Renovating the properties, many of which are fifty-plus years old, is key in assuring quality, affordable housing in the long-term. Modernizing older properties both improves quality of life for residents, and ensures continued use of the properties.

LISC DC'S ROLE IN THE PROCESS
We have partnered with developers to ensure that affordable rental properties are preserved, when facing expiring subsidies or the need for renovations. In Northeast DC, we worked with Community Preservation and Development Corporation (CPDC) to finance the renovations of Edgewood Commons, preserving 292 units of affordable housing. In Southeast DC, we supported CPDC's renovation of Southern Ridge (now Arbor View). The Whitelaw Apartments, a signature development by Manna, also required refinancing and renovations—another example of our support in preserving these affordable rentals.

[2]HUD. What Happens to Low Income Housing Tax Credit Properties at Year 15 and Beyond? August 2012. http://www.huduser.org/publications/pdf/what_happens_lihtc.pdf
[3]Ibid.
[4]Ibid.

"My interviews with residents and LISC partners (during my summer 2015 internship with LISC DC) left me with a deep respect for the persistence and passion of residents fighting to keep their homes, and for the groups that support them in this work."

–Katharine Richardson, Princeton University Graduate Student and now Program Officer with LISC, performed the research and analysis for Preservation Works.

OUTCOMES ACHIEVED THROUGH REINVESTMENT IN AGING HOUSING STOCK
Conversations with developers involved in reinvestment projects, as well as the residents of these buildings, identified several common outcomes of this type of preservation work, as shown in Figure 12:

Preservation Through Reinvestment

- Prevents displacement by ensuring longer term affordability of units
- Results in improved living conditions for residents, promoting a sense of pride and ownership

Resident Engagement

- Residents and developers benefit from increased interaction
- Residents feel more connected to broader community

Renovations

- Promotes longer-term sustainability of the building, ensuring its continued use
- Results in residents' positive change in attitude towards their homes

(Figure 12)

Reinvestment in Aging Housing Stock Profiles

The following case studies illustrate the range in outcomes associated with housing preservation through reinvestment.

WHITELAW APARTMENTS (SHAW)
The trajectory of the Whitelaw Hotel reflects many of the broader changes in the District of Columbia over the past decades. The building, on 13th and T Streets NW, was the city's first luxury hotel for African Americans. Built in 1919, the hotel served as anchor institution for culture in the area—"financed and built by and for blacks."[5] Famous musicians, such as Duke Ellington, frequented the hotel, and the space was used as a community gathering place. Yet with the beginnings of desegregation in the 1960's, the hotel lost some of its clientele and fell into despair after the 1968 riots. In 1977, the city ordered the building closed, and a fire destroyed the roof and upper floors. The building would remain vacant for the following 14 years.

As neighborhood conditions improved over time, some for-profit developers looked into renovating the building. However, the renovation of the Whitelaw posed a particular challenge; the old structure suffered significant damage, and the hotel's history required the careful restoration of expensive, historical features. The redevelopment required a significant subsidy.

Figure 13 - Whitelaw Apartments

At the time, only Manna had the capability to tackle the project. LISC DC, recognizing the potential of the building in supporting revitalization efforts in the area, played a significant role in the original redevelopment of the hotel. Through our partner, NEF, we syndicated the tax credits ($1,985,000) for the project, which was the first LIHTC project sponsored by a non-profit organization in the District of Columbia. We also provided a $250,000 bridge loan. Manna relied on LIHTC and the city's purchase of the land through the Land Acquisition for Housing Development Opportunities (LAHDO) program, along with other sources, to redevelop the building into 35 units of affordable housing.

The restoration of the Whitelaw would become Manna's signature project, according to George Rothman (former CEO of Manna), because of "the Whitelaw's history, the meaning it has in the community, and the impact it had on the area." Thirty-five families moved into the building in 1992.

In the winter of 2007-2008, the federal affordability restrictions and benefits associated with LIHTC expired. Seeking to preserve the affordability of these units, Manna needed to refinance the building. Repairs were also necessary to maintain quality of the units. According to Rothman, "We found a syndicator, and a bank, and the bank knew about Whitelaw and how important it was. It was only difficult from a logistical and construction standpoint, because we did not want to evacuate the building. There was a relative ease to getting financing…people wanted this to happen."

We again supported Manna throughout the preservation of the Whitelaw, providing a $140,000 loan in 1999 to help stabilize the project, and then extending it throughout the

[5] National Park Service. Whitelaw Hotel. http://www.nps.gov/history/40th/dc.htm

"Initially the thinking was to do this as low income condo, but then the more we thought about it, the more we decided it would be better to keep it as a rental. This was and is our signature project...and (we wanted) to preserve affordable housing, because the city keeps losing affordable housing. Once that decision was made, then the only really viable option was to go with LIHTC...we want it to remain a community asset."

–George Rothman, Former CEO of Manna Inc.

later refinancing. Rothman commented on the partnership between LISC DC and Manna, "Generally, I always characterize LISC DC as Manna's best partner—best and most frequent partner. LISC has been involved in more deals than anyone else, and the office has been very cooperative, stable. "

The Whitelaw common space is rented out to community groups for non-profit or community events—returning the building to its original functions as a community gathering space. Today, in so many ways, Shaw is not the neighborhood that it was when the Whitelaw was originally opened. There is much to be said about the improvements in this neighborhood, but we must acknowledge that these changes have led to an affordability crisis in Shaw. The Whitelaw, however, will remain as a stable source of affordable housing into the foreseeable future.

ARBOR VIEW (WASHINGTON HIGHLANDS)
It's about a fifteen minute walk from the Southern Avenue Metro stop to the Arbor View campus. Within Arbor View, small vegetable gardens sit alongside the parking lot, and a prominently displayed "Free Food" sign points towards the bi-monthly food bank. Outside the community center, children play on the newly renovated playground. On food bank days, a group of resident volunteers hand out groceries—tomatoes, potatoes, dry goods, juice—to anyone who stops by.

The sense of community at Arbor View is striking. Across generations, residents look after each other. Ms. Cora Clark, resident manager, stands out clearly as the catalyst for this deep engagement. Ms. Clark started working at Arbor View ten

Figure 14 - Arbor View

years ago. Since then, she started a wide range of programs to help the residents, including weekly movie nights, a summer camp, and nutrition classes.

The food bank, the summer camp, and the daycare not only serve the residents of Arbor View, but are available to the wider southeast community. This engagement of Arbor View residents, not only as recipients of services, but as volunteers themselves, positively impacts the broader neighborhood. The renovations that occurred in 2013 helped to facilitate this sense of community, by expanding and improving the Community Center— creating the physical space for engagement. The new community center contains a library, food pantry, computer lab and multipurpose room. Beyond that, the new community garden and playground reflect the culture of health and wellness that Ms. Clark and the residents worked hard to create.

Figure 15 - Residents of CPDC Arbor View

Arbor View contains 156 rental garden apartments. Most of the units (105) are reserved for residents earning 60% or below of Area Median Income (AMI), and the remaining 51 units are mostly occupied by residents earning less than 80% of AMI.

The Community Preservation and Development Corporation (CPDC), which bought Arbor View from the Greater Southeast Hospital Foundation in 1994, used LIHTC and a DHCD loan to fund full repairs to the majority of the units (105), while the rest only needed minor repairs.

By 2012, in order to maintain quality living conditions, the property needed significant rehabilitation, including unit upgrades, such as new kitchens and baths, flooring, improved energy efficiency, new entry door systems, exterior building and balcony repairs, and new lighting. Some units required substantial renovation, including replacing sub-flooring, removing mold-covered balconies, and restoring sagging joists. To finance this renovation, CPDC acquired a FHA 221(d)(4) mortgage – a federally guaranteed mortgage that is provided through a loan from a private bank. Securing this loan required completion of predevelopment in advance—meaning more upfront expenses than usual. LISC DC provided a $100,000 recoverable grant to cover approximately 20% of the overall predevelopment budget for the project; this enabled the recapitalization process to move forward.

However; by 2013, increases in interest rates created an unforeseen financing gap. The property rents could support less hard debt under the program than they could support a year prior. Further, HUD required very large reserves to be funded at closing. To help cover this gap, we provided a $750,000 loan.

LISC DC played dual roles in this project—an early supporter, recognizing CPDC's vision, and a problem solver, assisting when obstacles arose. By investing in Arbor View, we helped CPDC to preserve and enhance affordable homes and a vibrant, cohesive community, with positive impacts for the broader Southeast community.

"I love it. They said I could move to the senior center across the street—I don't want to go to the senior center. I want to stay here. I love it. This is my family."

–Judy Brown, Arbor View resident

EDGEWOOD COMMONS (EDGEWOOD)
In the 1990's, the Edgewood Terrace apartment complex was known as one of the city's busiest drug markets. As tenants fled, vacancies within the 800-unit complex reached nearly 60%. In 1995, HUD foreclosed on the first of Edgewood's four main sections: a seven story tower with 292 units (Edgewood I). The Community Preservation and Development Corporation (CPDC) bought the building.

CPDC's purchase ultimately led to the "rebirth of Edgewood Terrace," with ripple effects for the surrounding community. The building was renovated to include units for a broader mix of income levels, and the complex's unused commercial space was redeveloped to house social programs for residents. CPDC ultimately purchased and renovated the remaining three portions of Edgewood, relying on complex financing from HUD, Wachovia Bank, the Federal Home Loan Bank of Atlanta, DHCD, and a long list of donors.

Nearly twenty years later, Edgewood Terrace—now rebranded as Edgewood Commons—is fully occupied and nationally recognized for its revitalization. But the property requires additional improvements to maintain affordability and enhance quality of life for residents. Some priorities include creating more pleasant common spaces, improving security and lighting, and upgrading units to increase energy efficiency. By redesigning the exterior grounds, CPDC hopes to foster a greater sense of community between residents and the wider Edgewood Commons community. Plans include a community garden, fitness trail, and more play space for kids. The goal is for the Edgewood neighborhood to see Edgewood Commons as a resource, and as a place where residents want to live and raise their children.

CPDC completed the first round of renovations on Edgewood IV in 2014. Gregory Thomas, long-term resident of Edgewood Commons, says that these improvements, which include renovations to interior and exterior common spaces, have promoted a sense of ownership and pride among residents of Edgewood IV. Residents are using the outside space—sitting by the fountains and playing the outdoor musical instruments. CPDC hopes that the outcomes they have seen in Edgewood IV will serve as a harbinger of success for the impending larger renovations on the rest of the campus.

Figure 16 - Groundbreaking for Edgewood Commons

"See the colors on the wall? We used to have dark blue, yellow, deep yellow. It was depressing, when you walked in the building. And you didn't have the feeling that you've come home...Nobody cared. This was the attitude, and it caused a lot of disaster in the building...Now it's different. People say 'this is my building.' I feel responsible – you're not going to come here and mess it up. That's the difference between last year and this year. People feel responsible, it's nice, it's quality...it makes a difference."

–Gregory Thomas, Edgewood Resident on Edgewood IV Renovations

Edgewood I, the largest section of the campus, is now undergoing renovations. The funding for this required significant maneuvering. To preserve longer-term affordability of the property, CPDC sought FHA 221(d)(4) financing. However; the preapproval process for this financing requires extensive predevelopment. According to Stacie Birenbach, Senior Real Estate Development Officer at CPDC, this was a very long process with many fees, requiring nearly $1.8 million before closing on financing.

LISC DC was instrumental in securing this final financing package. We provided a $1,100,000 loan for the required predevelopment work to be completed, enabling CPDC to secure the 221d financing. Beyond that, Birenbach says that LISC DC understands the importance and complexities of preservation work. This makes LISC and CPDC strong partners, part of "an extended family."

Figure 17 - Hope Cooperative with Georgetown's Harrison Institute

Figure 18 - Brightwood Gardens Tenant Association with Rick Eisen, Attorney.

Conclusion

Our investments in the preservation of affordable housing reflect our belief that the District of Columbia should be a place where all residents—regardless of their income—can live, work, and raise their children in healthy and sustainable neighborhoods. As witnessed by LISC DC over the past 30 years, preservation helps prevent displacement, improves living conditions, and enhances the overall quality of life in our neighborhoods. Through the stories in this report, we give a voice to the people who are working tirelessly to preserve their homes. Furthermore, the report illustrates the value of this work and highlights the resources necessary for successful preservation. Moving forward, we will continue providing timely, flexible, and diverse resources that fulfill our commitment to the preservation of affordable housing.

Figure 19 -Dahlgreen Courts Tenant Association

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