DISTRICT OF COLUMBIA PROPOSAL
FY 24 Pathways to Removing Obstacles to Housing (PRO Housing) Program

Need:
Demonstrated progress and commitment to overcoming local barriers, primarily by improved laws and regulations: The District of Columbia has proudly championed policies to expand housing supply with equitable access to high-opportunity neighborhoods. In 2019, Mayor Bowser set a goal of producing 36,000 new housing units District-wide, with 12,000 of them net new dedicated affordable units, meaning units with newly subject to an affordable housing covenant restricting income to 80% of AMI or below. Since 2019, 9,845 of these affordable units have been completed, with over 2,500 currently in construction and expected to deliver before the end of calendar year 2025.

Since 2019, Mayor Bowser has invested over $1.3 billion into the Housing Production Trust Fund, the District's primary tool for producing and preserving affordable housing. This commitment has put the District at the forefront of housing production in the region, including both overall and affordable housing. Despite comprising only 12% of the region's population, the District has achieved the following over the past five years:

- 31% of all new housing units in the DC region.
- 41% of the committed affordable housing units in the DC region.
- 81% of the committed affordable units at 30% MFI in the DC region.
- 72% of the committed affordable units at 50% MFI in the DC region.
- 25% of the committed affordable units at 80% MFI in the DC region.

In addition to this, the District set targets for affordable housing production in each of 10 planning areas. The targets set in the 2019 Housing Equity Report were calculated to produce at least 15% affordable units in each planning area by 2050, taking into account household growth projections, the current percentage of affordable units and the rate at which unrestricted low-cost housing ("naturally occurring affordable housing") was being lost. The Department of Housing and Community Development (DHCD) has implemented a new weight in its scoring system for projects applying for Housing Production Trust Fund dollars that prioritizes projects in planning areas that are below their target goals.

Other programs also demonstrate the District's aggressive commitment to affordable rental and home ownership units in high-opportunity areas. The District's Inclusionary Zoning program has produced over 2,400 units since its inception, in places where rents and sales prices already support higher densities. The District Inclusionary Zoning[1] creates opportunities for low-income renters and buyers without additional District financial subsidies.

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[1] Inclusionary Zoning is a mandatory affordability requirement placed on new residential construction of 10 or more units. IZ requires eight to 12.5 percent of units be affordable for households earning 60 percent of the Median Family Income (MFI) for rental projects, and 80 percent MFI for ownership. The program provides a 20 percent increase in density to enable the construction of more market rate units. IZ applies in all areas of the District except single-family detached zones, certain Downtown zones, and Production, Distribution, and Repair (PDR) areas. Since the program took effect in 2009, the IZ program has delivered over 2,370 affordable units primarily in high-cost areas of the city. IZ affordability requirements are increased to between 14 and 20

The District has also invested consistently in its Home Purchase Assistance Program (HPAP), which provides second mortgages to low- and moderate-income buyers. HPAP provides higher loan amounts and more advantaged terms to households at lower levels of eligible income. Coupled with homeownership counseling, HPAP has enabled over 1,700 households to purchase homes from 2019-2023, many in multifamily condominium buildings. The District Council has continued historic levels of investment in FY25 appropriations, and Mayor Bowser has set a target that 20,000 Black residents become homeowners by 2030.

Finally, the District has several important mechanisms in place to counter displacement of low-income renters as new investment increases and housing prices rise. All tenants regardless of income have a right of return to a property if they must leave to accommodate rehabilitation or redevelopment. When the owner of a rental property seeks to sell it, the District's longstanding Tenant Opportunity to Purchase Act (TOPA) requires notice to tenants and establishes a timeframe in which tenants may form an association and secure funding to purchase at a price and material terms that match a third-party offer. Tenants' associations may purchase their property directly or assign their rights to a developer that works with them to maintain affordability and improve the property. The District supports legal aid and technical assistance for tenants seeking to take advantage of these opportunities.

The District supports acquisition funding that is often used for TOPA purchases. Under the Housing Preservation Fund (HPF) program, the District contributes first-loss funding to three community development financial institutions that make loans to tenant associations and mission-oriented developers for acquisition, critical repairs and predevelopment expenses. Purchasers using HPF loans must accept a 10-year covenant requiring that minimum of 50% of units be affordable to households earning 80% of AMI or less, and also observe the tenants' right of return. The terms of HPF acquisition loan terms expire in three to four years, requiring the new owners of the property to secure long-term financing that enables continued affordability at levels that meet or exceed covenant requirements.

The Coalition for Nonprofit Housing and Economic Development documented that affordability was preserved or added to 16,224 housing units through tenants assigning their TOPA rights or purchasing their properties as Limited Equity Cooperatives (LEC). This represents 43% of all units sold following a TOPA notice during the 15-year study period (2006-2020).[2]

<u>Acute need for affordable housing:</u>
The District is identified as a priority geography based on 2009-2019 data in the PRO Housing NOFO mapping tool, and its housing supply gap is projected to continue. Early estimates suggest that,

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percent of the project when additional density is received through a zoning map amendment. Since 2017, zoning map amendment cases have been approved that increased the number of required affordable units tenfold from approximately 300 to 3,000 affordable units.

[2] *Sustaining Affordability: The Role of the Tenant Opportunity to Purchase Act (TOPA) in Washington, DC*, Coalition for Nonprofit Housing and Economic Development, 2023.

currently, there are over 30,000 fewer affordable units than households earning 30% or less of AMI. This gap is expected to grow with a projected increase of 9,000-11,000 such households by 2035. The District may also experience demand growth from 34,000 new homeowner households by 2035. The estimates show modest oversupply at the current time for units priced between $900 and $2,800 per month, but also suggest that households for whom those rents would be affordable (earning roughly 30% to 80% of AMI) are not always matched to this housing. Over 40% of units affordable to low-income households in the District may be rented by people who could afford to pay more.

While these estimates are preliminary, they indicate that higher income households will continue competing with lower income households for moderately priced units unless substantial new housing supply is generated. Affordable housing covenants will also need to be established in a portion of new and existing units to avoid displacement and address the supply gap for extremely low-income households. To continue the District's commitment to equitable growth, preservation and development of affordable housing will need to be focused on areas where market pressure is most intense.

The District is running out of unbuilt space and a greater share of future housing growth will require redevelopment of existing buildings into larger multifamily and/or mixed-use in character. While commercial conversions and redevelopment along major corridors are part of the answer, we have found that families with school-age children are less likely to choose the types of large-scale properties that result. Most families strongly prefer single-family housing or multifamily units in smaller properties under 50 units. The District recognizes this group as important to its economic health and growth and seeks to create or preserve rental and ownership apartments of 3 bedrooms or more. Preserving and ensuring the affordability of the District's existing 2–50-unit multifamily housing stock will be an important component of equitable growth in the District in the coming decade, particularly in the areas where market pressure is greatest.

<u>Key barriers that still exist:</u>

Land use, growth and potential for displacement:
In its 2021 Comprehensive Plan update, the District pursued a land use strategy to accommodate growth and meet demand for housing that focused on taller mixed-use residential buildings in central neighborhoods such as NoMa, the waterfront, around metro stations, and along commercial corridors. Policies included Policy LU-1.2.4: Urban Mixed-Use Neighborhoods, Policy LU-1.4.1: Station Areas as Neighborhood Centers; Policy H-1.1.6: Housing in Central Washington; Policy H-1.1.4: Mixed-Use Development. The increased density was adopted in the Future Land Use Map (FLUM) along commercial corridors and around transit hubs such as New York Avenue NE, and Connecticut and Wisconsin Avenues NW.

Coupled with changes to the Inclusionary Zoning program, this will create new opportunities for large new developments, many of which will include increased affordability requirements along with other community benefits. These new developments will help absorb demand, however combined with existing transportation connections and improved public spaces they will also attract retail and other neighborhood amenities that increase the potential land value and redevelopment pressure on more affordable properties in the surrounding neighborhoods.

These pressures hit smaller, older multifamily buildings the hardest. Their smaller scale and often larger unit sizes provide natural affordability for lower income households, especially those with children. However, these properties become prime candidates for conversion to condominiums or redevelopment as the markets improve.

Preserving affordability in smaller multifamily buildings presents a particular challenge. Their smaller scale makes it inefficient for them to use Low Income Housing Tax Credits, tax-exempt bonds, and other types of housing subsidies that lead to complex financing structures and the associated legal and transactional expenses. If substantial rehabilitation is required to modernize an older building, including bringing it into compliance with the District's progressive energy policies, unsubsidized debt service costs can far exceed the capacity of existing tenants to cover. Moreover, if a large percentage of units are occupied by very low or extremely low-income households who wish to stay, the project may have difficulty generating sufficient revenue to cover ongoing operating costs and adequate reserves.

The District expects the trend of losing affordability in smaller multifamily properties to continue as it seeks ways to increase housing supply in the future. The 2021 Comprehensive Plan update contained an action item to develop an Anti-Displacement Strategy to track neighborhood change, development, and housing costs to identify areas that have experienced, are experiencing, or are likely to experience, displacement pressures. This exercise includes collecting, disaggregating, and monitoring data to consider income and racial characteristics of the neighborhoods and households affected by or at risk of displacement. Initial research for the Anti-Displacement Strategy, including identifying neighborhoods in which displacement risk is high, will be completed in the first quarter of calendar year 2025. This research will form the basis for geographic targeting interventions funded through the PRO Housing grant.

Housing tools:
The District's TOPA requirements create an intervention point for tenants to organize and either exercise their TOPA rights to purchase their property or assign them to a developer they select. If rental developers do not see a viable project due to the size, costs and potential revenue of a project, TOPA provides an opportunity for tenants to take ownership. This usually takes the form of a condominium structure (where a substantial portion of tenants have the capacity to take on household mortgages that together cover capital costs) or a LEC structure (where the LEC organization takes on debt on behalf of all of its members).

While acquisition resources are available through the Housing Preservation Fund, projects must have a realistic path to sustainable operations and long-term financing to be successful. Smaller rental properties, condominiums and LECs are struggling to sustain their operations under current market conditions, including higher interest and insurance rates, construction and maintenance cost inflation, higher utility rates and ongoing difficulties with collecting rent or condominium/cooperative fees.

If a long-term lender, private or public sector, does not believe that the project can sustain its operations and pay whatever debt service is required, it will not make the loan needed by the tenants or the developer to repay acquisition loans and rehabilitate the property. The District has waived its typical cap on cash flow loans from its Housing Production Trust Fund for LECs, often providing 70% or more of total development costs. Even so, the District's Department of Housing and Community

Development (DHCD) has identified over 40 LECs that are currently exhibiting some form of financial distress, including negative cash flow, imminent foreclosures, failure to pay real estate taxes, inability to convert from construction to permanent financing or inability to present a sufficiently stable and conservative operating plan to secure permanent financing.

Because it often provides second mortgage loans to home buyers in affordable condominiums, DHCD has different visibility into the operations and financial health of those properties unless it also has a project-level ("blanket") mortgage. However, DHCD asset management staff report an increase in workload with condominium owners facing foreclosure on their units or the entire project. In addition, developers who produce affordable condominiums and work with buyers after purchase report similar operating cash flow and financial problems, as do community-based organizations providing housing counseling and technical assistance.[3]

As with the conversion to market of naturally occurring affordable properties being sold, geography matters in the urgency of stabilization support for dedicated affordable properties. Lenders are much more likely to foreclose and/or force sales of properties in markets where property values are high or are improving quickly. Foreclosure eliminates the existing affordable housing covenant and allows new owners to sell the property at market, reducing affordable stock in the higher opportunity areas where the District needs it most.

This situation has focused conversations about improving property management, including collections of rent and coop or condo fees, and financial asset management. Recent discussions among DHCD and practitioners have recognized a dearth of capacity among property management companies and financial asset management services for smaller properties generally, which leads to especially serious consequences for the part-time boards of LECs and affordable condominiums. There has also been discussion among stakeholders about exploring ways to secure better terms and pricing for services and financing, . A more consistently stable operating model for LECs and affordable condominiums will increase tenants' ability to take advantage of acquisition and rehabilitation financing, as well as protecting them from foreclosure later. The District needs a comprehensive stabilization approach for LECs and affordable condominiums in order to prevent displacement and promote equitable growth over the next decade and beyond.

Soundness of Approach:

<u>Vision:</u>

Overview: The District urgently needs to support sustainable operating strategies for smaller properties to create a viable path to preserving this important part of our housing stock. Our long-term ability to retain families in an equitable way as neighborhoods grow, and to continue promoting inclusion and affordability in all parts of the District, depends upon it.

DHCD will use HUD PRO Housing grant to fund a combination of supports that build on the District's existing, progressive regulatory and zoning framework to preserve small properties as LECs and

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[3] The discussion among Board members and participating members of the public at DHCD's HPTF Advisory Board meeting on September 26, 2024 highlighted operating challenges among both affordable condominiums and LECs.

condominiums. Assisted projects may already be in operation but be threatened by foreclosure or deferred maintenance issues. They may also be prospective projects that tenants are organizing to purchase. Supports will include the following, described in greater detail in the budget and timeline section:

- Specialized property and asset management training and technical assistance, tailored for LEC and condominium ownership structures and operating practicalities. All service providers will be required to demonstrate appropriate certification for asset management from NeighborWorks America, the Consortium for Housing and Asset Management, or commensurate direct experience. Components of technical assistance funded by the PRO Housing grant will include:

  - Development and consistent delivery of a training course targeted to interested residents in areas where displacement risk is high. The training course materials will remain available to existing LECs and condominiums and interested tenant associations after the term of the grant.

  - Support tenant associations planning to convert (or recently converted) to LECs and affordable condominiums acquired using TOPA rights in areas at high risk of displacement. Engagements will assist ownership groups in developing high quality ongoing property and asset management plans, which can contribute to new applications for permanent financing from public and/or private sources. (estimated to serve 20-40 clients per year).

  - Structured support for stabilization planning for existing LECs and condominiums where DHCD financing is already present and which are located in areas with high displacement risk, to be allocated in conjunction with local property stabilization and capital funding programs.

- Funding to be awarded for organizing, research and support for interested common interest communities to develop collective strategies for cost efficient operations and financing. Use of this funding will be strongly informed by discussion and recommendations developed by a LEC Task Force that will be convened in 2025 by the Council of the District of Columbia, with support from DHCD.

<u>Geographic scope:</u>
All properties assisted using PRO Housing grant funds will be located in areas where market pressure is present or growing, current resident incomes are low, and displacement risk is determined to be high. DHCD will use research currently underway to identify eligible neighborhoods. To the extent activities in each grant year are not fully subscribed by participants from identified high displacement risk areas, DHCD will make services available to other LECs and affordable condominiums in the District. The entire District of Columbia has been identified as a high need area in the PRO Housing NOFO mapping tool. Areas of high displacement risk are expected to be provisionally identified in calendar year 2025 and refined through public comment and engagement over the course of 2025 and 2026. The District's Anti-Displacement Strategy will become part of the new Comprehensive

Plan adopted in 2027. Geography may be adjusted during the course of the grant based on market changes between 2025 and 2030.

Example neighborhood

The District's Ivy City neighborhood provides a useful example of where overall price pressures are leading to the conversion or redevelopment of smaller lower cost buildings. The pilot program can begin there immediately upon receipt of PRO Housing funds. Ivy City is a relatively small area (about 90 acres) bordered by New York Avenue NE and West Virginia Avenue NE. It is a historically Black neighborhood that has faced the burdens of racial, environmental, economic, and infrastructural inequities that have adversely affected the community's quality of life. In 2021 the FLUM was amended to allow high-density mixed-use development along New York Avenue NE, one of the major thoroughfares leading into the District from the direction of Baltimore. The Office of Planning (OP) projects that thousands of new housing units could ultimately be developed in mixed income properties along the corridor, replacing or incorporating current light-industrial uses. The Ivy City Small Area Plan focuses on the transition from the anticipated development on New York Avenue to the smaller-scale moderate density residential buildings to the south.

The neighborhood has a total of 326 residential properties, half of which are located in small apartment buildings of 3-19 units. More than ninety percent (90%) of Ivy City residents rent their housing. The average monthly rent is about $1,800, which is similar to the District's average. Forty six percent (46%) of neighborhood renters pay more than 30% of their income in rent. The Small Area Plan calls for more cohesive design and connectivity among public spaces, improvements in environmental conditions and resilience measures, and the redevelopment of a historic school as a recreational facility.

Unsurprisingly, residents are concerned that they will not be able to enjoy these improvements as rents rise and small rental buildings are converted to condominiums or redeveloped. Average sales prices of these small multi-unit properties in Ivy City grew sharply between 2017 and 2021 as the market recognized the potential. A recent sale and conversion underscore the practicality of this concern: a four-unit property was purchased by a developer for approximately $700,000, rehabilitated, and sold as four condominiums with prices of approximately $700,000 each.

While cooperative or condominium ownership through TOPA may be an attractive option for current tenants, the properties will require a sustainable long-term property and asset management plan and potentially specialized financing to be successful. They will also need to adopt bylaws that allow for the difficult choices that asset managers of properties must make. Succession planning for board transitions over time is also required. Based on the District's current experience with LECs, specialized technical assistance prior to the purchase(s) and more structured ongoing support afterward is indicated to promote better property stability and housing quality.

<u>AFFH</u>

The District contributed to a regional analysis of impediments to fair housing coordinated by the Metropolitan Washington Council of Governments for submission in 2023. One of the major regional strategies was to implement policies to preserve affordable housing and prevent displacement of residents, to keep the same number of existing affordable rental units in our region. We need to offset the loss by building new or preserving existing units. The regional recommendation related to this priority included tracking and supporting existing affordable housing, and establishing a loan fund to help tenants, nonprofit groups, and local governments buy apartments and manufactured home parks that are for sale.

The District's priorities within the region included reforming zoning and land use policies to expand access to fair housing choice, along with increasing the development, geographic distribution, and supply of affordable housing. Preserving affordable housing within growing neighborhoods is crucial to maintaining and improving the distribution of affordable housing in the District.

<u>Budget and timeline:</u>
The action plan outlined below includes elements that will be funded using the HUD PRO Housing grant and other funds. It shows how the PRO Housing grant will fit into the District's intensifying efforts to support home ownership and affordable housing preservation while promoting growth, investment and neighborhood improvement.

Fall 2024:

- DHCD allocates up to $800,000 in remaining CDBG-CV funding to stabilization measures for existing LECs and affordable condominiums. Such support may include bridge funding to support operations and protect against foreclosure, prepare model documents for bylaws or LEC share recordation, and/or pair certified asset managers and specialized legal services providers with other stabilization funding to help LEC and affordable condominium associations reach a realistic path to financial sustainability. (Please note that this assistance will be made available to LECs, and affordable condominiums located anywhere in the District.)

- DHCD recruits and on-boards dedicated staff person for LECs and other common interest communities

January-February 2025:

- Technical assistance assignments to distressed properties made. Engagements for sustainability plans are scoped and begin.

- PRO Housing awards announced by HUD.

- Regular session of DHCD's internal Preservation Committee convened to provide cross-departmental oversight, including all affected DHCD program and regulatory functions.

- OP commences initial community engagement for the 2027 Comprehensive Plan, including information contributing to the Anti-Displacement Strategy. This includes data-driven assessments of geographic areas in which displacement risk is high.

March – April 2025:

- DHCD issues Request for Information (RFI) to elicit practical approaches to long-term stabilization for common interest communities from local and national practitioners, policy and capacity building organizations.

- DHCD issues RFP(s) for specialized technical assistance for property stabilization, including property management, asset management and legal services for LECs and condominiums. Properties located in identified high displacement risk areas will receive preference for assistance for PRO Housing grant funded activities. Properties located elsewhere in the District may receive assistance if capacity remains available, since the entire District meets the criteria for a high-need area under the PRO Housing NOFO. Activities and allocations include:

  - $250,000 to develop a specialized, intensive training course for tenant leaders in property and asset management and common interest community governance and succession planning. Materials and methods to be integrated into DHCD's ongoing property management course offerings and technical assistance.

  - $750,000 ($150,000 per year) to offer course sessions and limited 1:1 follow-up coaching for interested tenant associations in areas where displacement risk is high. In many cases this will be in advance of TOPA notices and building sales and help prepare tenants for decisions ahead.

  - $2,500,000 ($500,000 per year) to support tenant associations planning to convert (or recently converted) to LECs and affordable condominiums acquired using TOPA rights in areas at high risk of displacement. Engagements will assist ownership groups in developing high quality ongoing property and asset management plans, which can contribute to new applications for Consolidated RFP permanent financing.

  - $2,500,000 ($500,000 per year) for structured support for stabilization planning to LECs and condominiums that already have DHCD financing and are located in areas with high displacement risk, to be allocated in conjunction with local stabilization funding through the Consolidated RFP or other means.

- Along with supporting the ongoing quality and financial soundness of LECs and condominiums in areas at high risk of displacement, these services will support:

  - Higher quality applications for DHCD bridge and permanent funding under future Consolidated RFPs (2025 and beyond).

  - More judicious use of HPF acquisition loans and better implementation during the predevelopment period.

Late summer/fall 2025:

- Review results of RFI, summarize as briefing materials for LEC Task Force to be convened by the Council of the District of Columbia.

Fall 2025 and spring 2026:

- Refine scoping of technical assistance engagements based on input from the LEC Task Force convened by the Council of the District of Columbia's Housing Committee.

Summer 2026:

- Issue RFP to promote innovative strategies to improve property operations:
    - $1,000,000 for organizing, research and support for interested common interest communities to develop collective strategies for cost efficiency, which could include practices such as:
        - Purchasing goods and services, public safety, financial services/auditing and others.
        - Investing in a property and asset management service provider for LECs and affordable condominiums that can provide quality services to small multifamily owners and is knowledgeable about common interest communities, District regulations and DHCD programs.
        - Securing funding for energy efficiency and renewable energy improvements, including leveraging new opportunities made available under the Inflation Reduction Act and responding to the District's progressive Building Energy Performance Standards.
        - Bundling scopes, collateral and/or ownership to finance rehabilitation needs or access more advantageous terms for first trust mortgages.
    - The focus of RFP will be strongly informed by information on national best practices and innovations collected through the RFI and by the discussions and recommendations of the LEC Task Force.

Fall 2026:

- Review applications and make selections of innovation organizers.

Winter/spring 2027:

- Engagement and organizing of interested common interest communities begins.

Summer 2030:

Collect lessons and observations from PRO Housing grant and related activities to inform further policy and program development in the District.

Capacity:

Activities funded using the PRO Housing grant will be overseen by DHCD's existing Preservation Committee, a cross-disciplinary internal policy body that recommends proposed Housing Preservation Fund acquisition loans to DHCD's Director for approval and contributes to other preservation policy decisions. In addition, a work group of program leadership and key staff from DHCD divisions including Neighborhood Based Activities, Portfolio and Asset Management, Development Finance, Program Management (which handles compliance), the Small Buildings program area, the Office of General Counsel and the Preservation Unit of the Director's office is meeting regularly to focus on the issues and needs of LECs and affordable condominiums and operationalize the approach. DHCD will hire a dedicated staff person in FY 2025 to coordinate the activities of these groups, assist with program implementation and support the LEC Task Force that will be convened by the Council of the District of Columbia.

DHCD has demonstrated capacity for overseeing technical assistance funded by CDBG, which is the bulk of activity proposed under this PRO Housing NOFO. Goals in our Consolidated Plan that capture this activity include:

- "Strengthen Organizational Capacity of Nonprofits" allows for fiscal opportunities and education/training programs for a nonprofit organizations and nonprofit affordable housing developers that focus on skill development, organizational development, and certifications that further the development of affordable housing and delivery of services to residents. This goal also supports operating resources for certified Community Housing Development Organizations (CHDOs) who are in the construction phase of a CHDO project.

- "Strengthen Homeownership/Tenancy Among Households Earning 80% or Less of AMI" Includes activities that increase access to homeownership and maintain homeownership for households earning 80 percent or less of AMI. Activities include, but are not limited to, financial assistance to purchase a home rehabilitate a home (emergency repairs, repairs as a result of natural disaster emergencies, removing barriers to accessibility, weatherization, renewables deployment, and energy and water efficiency measures) housing/foreclosure prevention counseling education, and fair housing enforcement and education.

- "Strengthen Tenancy Among Households Earning 80% or Less of AMI" refers to preventing homelessness and evictions. Activities include but are not limited to, rent and utility assistance, tenant counseling/eviction prevention education, and fair housing enforcement and education. This goal also promotes funding for residents to exercise their right to purchase their property under DC's local TOPA program. DHCD will also ensure Limited/No English Proficiency tenants understand their rights under the TOPA program and fair housing law. Activities will be targeted to low and moderate-income households, households with special needs populations, and households for families and persons living with HIV/AIDS.

Leverage:

Dedicated staff: In FY25, DHCD will hire a dedicated staff person to support work focused on LECs and affordable condominiums. This staff position, provided as an enhancement in FY25 budget by the Council of the District of Columbia, will support the LEC Task Force that the Council will convene and coordinate DHCD's activities to support and stabilize LECs and affordable condominiums. The District's financial plan provides funding for this position through FY28 at a total amount of $458,598.

CDBG-CV funding: DHCD will start its initiative to support LECs and affordable condominiums by allocating up to $800,000 in CDBG-CV funding to stabilization support, including financial and/or technical assistance.

Long-Term Effect:

The District has aggressively enacted policies and tools that have demonstrated the ability to substantially increase housing supply, including in high-opportunity areas. The Comprehensive Plan will continue to provide incentives for higher-density redevelopment. We expect continued displacement pressure in areas with high displacement risk, particularly in smaller multifamily properties.

The PRO Housing grant will allow us to coordinate our existing tools and fill gaps for the effective acquisition, rehabilitation and operations of small buildings by mission-oriented owners, including LECs and affordable condominiums. We expect to track the outcomes of technical assistance with and without bridge funding to stabilize operations and put the properties on a solid foundation of adequate reserves, quality property management and good long-term asset management practices. Indicators will capture standard indicators of property financial performance, including debt service coverage, expense coverage and trends, physical and economic vacancy rates, balances of delinquent rent or fees, and balances available in operating, replacement and debt service reserves. These indicators will be collected prior to the commencement of technical assistance and at regular intervals during a stabilization period determined based on the needs of the property and its owners, as well as at the end of the engagement.

To the extent capital financing is provided from any DHCD program, DHCD will also capture physical conditions information before and after the investment is made. LEC and affordable condominium boards that participate in classroom training will provide feedback on the content of the course and how they have applied or intend to apply it.

Training materials and model documents will remain available after the HUD PRO Housing funding is exhausted, as will lessons and best practices collected and assessed for their utility in the District by the LEC Task Force. A more effective approach to procuring lower cost goods and services, including quality property and asset management services, will be seeded to fill an urgent market gap.

As we learn what works in stabilizing LECs and affordable condominiums, we will explore applying local funding and additional block grant dollars in similar ways. Stabilizing and supporting LECs and affordable condominiums is a crucial way to prevent displacement and take advantage of the District's existing tools for equitable growth. This work will take place in the context of a broader Anti-Displacement Strategy and changes to zoning and building codes that will continue to allow more housing supply, and larger units, to be created in the District. The PRO Housing grant will enable us to fill an important niche in our housing equity strategy.