DC Department of Housing and Community Development
Neighborhood Stabilization Program Application

Program Overview

Unlike many cities, the District of Columbia was spared an early entry into the foreclosure crisis through a strong housing market that allowed households to sell before having to foreclose and kept prices high enough that homeowners could earn enough on the sale to repay the bank. Households were impacted, but they had more options than households in less robust housing and employment markets nationwide. Anchored by the Federal government's relatively stable employment base and the recent change in administration that brought new residents to the region, the District appeared to remain solvent amidst a challenging national picture.

However, this strong economy masked a growing problem in the District. Through 2007 when subprime mortgages began to reset, and low and moderate income families began to be overwhelmed by ballooning payments, they had options to sell in the market when they received the notice of foreclosure. Beginning in late 2007, as the housing market slowed and unemployment rose, many households were no longer able to sell and ran out of options. These communities saw monthly declines in home sales prices, rapid increases in the number of days on the market, and a subsequent decline in the absorption rate. As a result, between 2006 and 2008, foreclosures rose by 660.4%, increasing from 149 foreclosures in 2006 to 1,133 in 2008. Meanwhile, foreclosure starts similarly increased dramatically, from 1,186 for all of 2006 to 3,194 in 2008.[1]

The housing boom of the past ten years had a tremendous impact on urban areas across the country. Like many cities, the District reversed decades of population decline and grew into an increasingly desirable place to live. Neighborhoods that were once abandoned with little or no economic activity became places where people wanted to buy and invest. These gains were reflected in HOPE VI projects such as Henson Ridge and Arthur Capper. Unfortunately, community development takes time, and when the housing boom ended and prices began to fall, many of the District's historically under served communities were still struggling to overcome the long term effects of disinvestment, vacancy and abandonment.

While the wealthier communities with long-standing homeownership markets remained strong (consistent with a strong upper middle class job market), neighborhoods in Wards 4, 5, 7, and 8 began to lose value and new resident flow. These lower income communities have been impacted by job loss and tightening of credit in the mortgage market, leading to instability in certain neighborhoods.

Beyond the individual impacts of foreclosures such as individual credit loss and reduction of equity wealth, the District stands to lose the strong gains made during the economic boom of the last ten years. The District is already divided by income and race – with white income at $94,940 and black income at $35,915, while the median rests at $54,317.[2] In addition, the wealthier wards of the city have experienced smaller losses and even gains in home sales prices as well as far

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[1] Washington, DC Recorder of Deeds. http://www.washington.dc.us.landata.com/%5C# Accessed June 11, 2009.
[2] American Communities Survey, 2007. http://factfinder.census.gov. Accessed June 11, 2009.

fewer foreclosures than the lower income wards of the city. This broad gap between the stable and unstable communities has diverted attention from the District and moderated the depiction of the impact in the big picture. Conversely, there are many areas where the growth in foreclosures and unemployment has exacerbated existing issues of vacancy, poverty and neighborhood quality.

With an infusion of resources from NSP, local funding streams, and the private market, the District will arrest the current decline and manage the growth in targeted communities by encouraging a spectrum of housing options for households with a broad range of incomes, including rental and homeownership for families and individuals. Moreover, as a part of plans from the Office of the Deputy Mayor for Planning and Economic Development, the Office of Planning and The DC Housing Authority, this investment can develop strong mixed-use, mixed-income communities with amenities for residents.

To do this, the Department has identified three areas and two primary approaches to address the challenges created as a result of the foreclosure crisis in DC. The funds will be targeted to three neighborhoods: Deanwood in Ward 7, Anacostia in Ward 8, and Trinidad/Ivy City in Ward 5. The Department will work in these neighborhoods to provide a data driven approach to revitalizing the community, including the following approaches through this application that will reach 599 units and will require a Federal investment of $55.5 million:

- Single Family Home Development:
  - Acquisition and disposition of 96 vacant and foreclosed home:
  - Rehabilitation through a turnkey program 63 Units; and
  - Downpayment assistance for homeowners 150 Units.
- Multifamily development and preservation:
  - Expansion of an acquisition fund to acquire 100 units; and
  - Rehabilitation financing for 200 units.

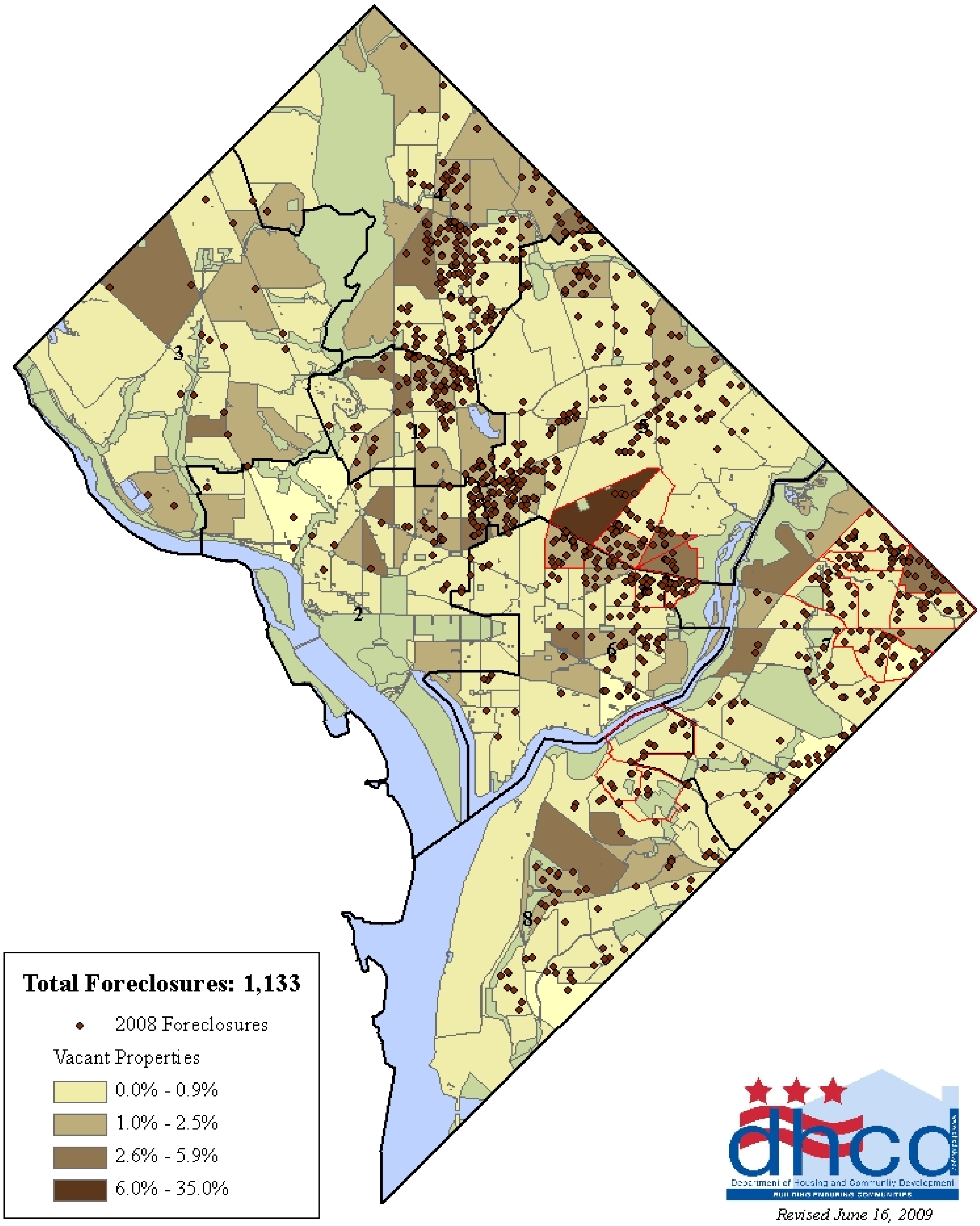
All of the proposed activities in this application are tailored to complement, enhance, and bring to scale, rather than duplicate existing efforts throughout District government. The Department has acquired or disposed of 147 properties in the most recent two years; provided $48 million to move 921 households into homeownership; financed the acquisition of 1,200 units of affordable housing; and financed the rehabilitation and construction of an additional 4,441 units of affordable housing. Aside from the actual programmatic infrastructure already in place, the Department has the following external partnerships and policies in place to address the challenges posed by the current housing crisis:

- An existing network of housing counselors, trained foreclosure counselors and banks to assist households purchasing in DC;
- A firm commitment to green development through the Department's three year use of the Green Communities Criteria for all DHCD funded projects;
- An existing curriculum of activities for homeownership, including weekly homeownership sessions at community-based organizations and sister agencies;

The Department will connect these expanded existing programs with current initiatives in the Office of the Deputy Mayor for Planning and Economic Development; Office of Planning, Department of Consumer and Regulatory Affairs; and the District Department of the

Environment. The end goal is to provide direct investment to address the fallout in communities and avoid further decline in home sales prices and vacancy in the communities.

Foreclosed and Vacant Units, 2008



Ranking Factor 1: Need/Extent of the Problem
Target Geography:
Based on vacancy data from the Department of Consumer and Regulatory Affairs and analysis by the Urban Institute of foreclosure data from the Recorder of Deeds and the Office of Tax and Revenue, the Department identified three neighborhood clusters that are in need of Neighborhood Stabilization Funds. These three communities qualify under HUD's NSP guidelines, which require that collectively, the census tracts receiving assistance have a vacancy or foreclosure index score of 18 or greater to qualify[3]. The selected census tracts have an average vacancy score of 18 and an average foreclosure score of 12.79. Table 1 illustrates the scores for each tract and the average of all tracts according to the NSP guidelines.

Table 1: Foreclosure and Vacancy Scores

Cluster	**Census Tract**	**HUD Foreclosure Score**	**HUD Vacancy Score**
Anacostia	75.03	13	16
Anacostia	75.04	14	17
Anacostia	76.01	16	18
Deanwood	78.03	15	19
Deanwood	78.06	11	17
Deanwood	78.07	12	19
Deanwood	78.08	13	18
Deanwood	78.09	15	17
Deanwood	99.04	11	20
Deanwood	99.05	11	18
Deanwood	99.06	10	18
Trinidad	79.01	13	18
Trinidad	79.03	12	18
Trinidad	85	13	17
Trinidad	88.02	17	18
Trinidad	88.03	11	18
Trinidad	88.04	11	19
Trinidad	89.03	12	19
Trinidad	89.04	13	18
Total		**12.79**	**18**

The neighborhood clusters are Deanwood in Ward 7, Anacostia in Ward 8, and Trinidad/Ivy City in Ward 5. The housing units in these communities represent just nine percent of the total units in the District. However, they hold 28 percent of the vacant units[4] and 25 percent of the total foreclosures citywide[5]. In addition to these three areas, DHCD identified tracts in Ward 4, in the center of the City where there are high concentrations of both foreclosures and vacancy. However, they did not meet the threshold requirements for this grant. The Department's goal is to build on existing programs and to spur development in these neighborhoods that will infuse significant investment dollars in concentrated areas to make an impact. The map on the

[3] http://www.huduser.org/nspgis/map.aspx
[4] American Communities Survey. http://factfinder.census.gov. Accessed May 28, 2009.
[5] Washington, DC Recorder of Deeds. http://www.washington.dc.us.landata.com/%5C#. Accessed May 28, 2009

preceding page illustrates the location of the neighborhood clusters and the concentrations of foreclosures and vacancy in 2008.

According to the Metropolitan Washington Area Council of Government Housing Target report, the District has an annual need for affordable housing of almost 6,500 units. Over the past three years, the District has met roughly 43 percent of that need. Meanwhile, surrounding jurisdictions have typically met roughly 15 percent of the annual housing need. The influx of new need into an already stressed system will likely result in greater regional use of the District's established infrastructure of programs and services for housing counseling and rental services. Proof of this has been shown through the request by residents in surrounding jurisdictions for foreclosure counseling assistance and through the participation by Maryland and Virginia residents in the Departments Homeownership Expo and Foreclosure Clinic on June 20th at the Washington Convention Center. Of the 662 households that registered, 21 percent were Maryland residents, 8 percent were Virginia residents, and 67 percent were DC residents.

Market Conditions and Demand Factors

The District's real estate market did not decline as early as other markets nationwide or even within the Washington Metropolitan region. However, between 2007 and 2008, the market for housing declined rapidly as the number of days on the market and month supply increased and home sales prices and volume decreased. Before the market decline, households with subprime mortgages or households that lost jobs had greater opportunity to sell the unit before the actual foreclosure sale, but as the market declined between 2007 and 2008, more families faced foreclosure.

Citywide, the number of home sales fell by 26.2 percent between 2007 and 2008 for single family homes and 32.1 percent for condominium units. Meanwhile, wards 5, 7 and 8 have seen more dramatic declines with volume drops of 43.8 percent, 43.8 percent, and 64.4 percent respectively for condominiums, and 40.6 percent, 45.9 percent, and 48.8 percent, respectively for single family homes. Meanwhile, home sales prices declined by .5 percent citywide, but declines in wards 5, 7, and 8 were 17.9 percent, 9.7 percent, and 12.8 percent respectively. Ward 4 also saw a rapid decline in home sales prices. However, they did not fit the threshold criteria for the NSP application. Table two illustrates the change in home sales prices[6].

Table 2: Median Sales Price 2008 $ thousands

	2007	**2008**	**Change**
Citywide	502	500	-0.5
Ward 1	607	555	-8.6
Ward 2	934	1030	10.3
Ward 3	922	875	-5.1
Ward 4	504	451	-10.4
Ward 5	415	341	-17.9
Ward 6	545	508	-6.9
Ward 7	282	255	-9.7
Ward 8	296	258	-12.8

Source: Urban Institute, Office of Tax and Revenue

[6] Tatian, Peter. *DC Housing Policy Forum Presentation.* May 5, 2009. DC Housing Finance Agency.

In addition to the home sales price changes, the month supply for housing rose dramatically between 2007 and 2009. Between April 2007 and April 2009, the month supply for housing rose by 29.3 percent in Trinidad/Ivy City; 373.9 percent in Deanwood; and 163.8 percent in Anacostia. [7]

According to anecdotal evidence from the Department's community-based organization partners and consistent with national data, trends in foreclosure in the District are changing. In the first wave in foreclosures that began in 2006 and continued into 2007, when foreclosures rose from 149 citywide to 491, ARM resets were the primary reason for foreclosure notices. However, over the past year, there has been a rise in job loss as a reason for foreclosure such that now it is the primary reason households face foreclosure. A contributing factor to the relatively low rate during the early period of foreclosures was that the market for housing in the District remained strong in almost all neighborhoods. Families who received a foreclosure notice had more options and could sell a home before being foreclosed upon.

While Federal employment continues to grow and absorb losses in private high skilled jobs, households holding service sector or other low skilled jobs have been highly impacted by the recession. This has translated to job losses and reduction in tips, overtime, and other payments that households have depended on during the economic boom times to fill gaps. In addition, the recession has also caused a reduction in force of the City government that has impacted working class households. The District's unemployment rate ranged from a low of 2.5 percent in March in Ward 3 to a high of 23.8 percent in Ward 8. These numbers have changed from a low one year ago of 1.6 percent in Ward 3 and a high of 16.4 percent in Ward 8[8]. Comparatively, these District communities are faring worse than their Maryland and Virginia neighbors. In March of 2009, the Washington MSA unemployment rate was 6.5 percent, with Northern Virginia[9], Prince George's County, and Montgomery County experiencing rates of 5.1, 6.7 and 4.9 percent, respectively[10].

Table 3: Unemployment by Ward, March 2008-09

Ward	2008	2009
1	5.3	8.2
2	3	4.7
3	1.6	2.5
4	5	7.7
5	8.4	12.7
6	6.1	9.3
7	10.8	16.1
8	16.4	23.8

Source, DC Department of Employment Services

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[7] Metropolitan Regional Information Systems (MRIS). http://www.mris.com/reports/stats/index.cfm. Accessed June 5, 2009.
[8] DC Department of Employment Services, http://www.does.dc.gov/does/cwp/view,a,1233,q,538023.asp. Accessed May 26, 2009.
[9] Virginia Employment Commission: http://www.vec.virginia.gov/pdf/newpres1.pdf, Accessed June 25, 2009
[10] Maryland Department of Labor, Licensing and Regulation: http://www.dllr.state.md.us/lmi/laus/ Accessed June 25, 2009.

These communities are also the ones that can least afford to lose home values and neighborhood quality. According to analysis by the Urban Institute (2009), foreclosure starts are closely correlated with home sales prices in the District. The three neighborhood clusters the Department has selected have low prices and the highest foreclosure start rates. Figure one shows the placement of the targeted neighborhoods, clusters 28 (Anacostia), 23 (Trinidad), and 31 (Deanwood), in relation to other communities in the District on foreclosure starts and home prices. Similarly, these areas have low absorption rates in the current market, with month supplies in March ranging from a low of 9.43 months to a high of 37.22 months, meaning that at the March pace, it would take up to 37 months to clear the market in the targeted communities. As a result, the average number of days on the market has soared to up to 150 days.[11]

District Neighborhood Stabilization Program Approaches
Rating Factor 3: Soundness of Approach
a. Proposed Activities
The Department will employ two broad strategies under the Neighborhood Stabilization Program to address the diverse issues around foreclosure and vacancy in the three targeted areas. These approaches are a mix of market stimulation and government intervention that will be determined through need and the population of properties in the area. The activities in this grant are illustrated in the table below.

Eligible Activity	**Total Funds Requested**	**Total Units**	**Responsible Entity**
Acquisition of Vacant and foreclosed Properties	$12 million	96	Property Acquisition and Disposition Division
Rehabilitation of vacant and foreclosed units through the Turnkey Development Program	$7 Million	63	Property Acquisition and Disposition Division/DC Housing Authority
Downpayment Assistance	$2.5 Million	150	Residential and Community Services Division
Revolving Loan Fund	$15 Million	100	Development Finance Division
Affordable Housing Finance	$12 Million	200	Development Finance Division
Total	$55.5 Million	599	

Over all three communities, the dominant property types are single family homes. However, Trinidad/Ivy City also had a significant portion (roughly 35 percent) of small apartment buildings of less than five units in the first quarter of 2009. Condominiums and large multi-family properties have smaller percentages overall. The owner-occupancy versus renter occupancy status is unclear due to the unreliability of Homestead Tax Deduction data. District law does not recognize foreclosure as legal grounds for eviction. However, this means that it is key to address both single family and multi-family challenges in the District as a means of stabilizing communities.

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[11] Metropolitan Regional Information Systems (MRIS). http://www.mris.com/reports/stats/index.cfm. Accessed June 5, 2009.

Standard in the Department's existing process are three primary threshold requirements relevant to NSP funds:

- All projects must be ready to proceed with all permits and funding sources identified. This requirement has moved projects rapidly through the pipeline since its initial implementation in 2007.
- All projects must adhere to the Green Communities Criteria (GCC) developed by Enterprise Community Partners. This was implemented as a part of the District's Green Building Act of 2006, which requires that all residential properties of 10,000 square feet of more with 15 percent or more of public financing comply with GCC.
- All development projects must adhere to long term affordability requirements. The District's local funds through the Housing Production Trust Fund require 40 years of affordability. For PADD, all affordable units must be maintained as affordable for 15 years. In addition, all single family home buyers receiving downpayment assistance must remain in the home as a primary residence.

Single Family Opportunities:
Activity 1 Acquisition and disposition of a minimum of 96 units of vacant and foreclosed properties: $12 million
Uses of Funds
Using vacant property lists developed at the DC Department of Consumer and Regulator Affairs, HUD foreclosed properties list and REO lists developed in partnership with local banks, PADD will acquire a minimum of 96 vacant and/or REO properties that are in need of renovation or otherwise troubled properties in the targeted geography at a cost of $12 million in NSP2 funds and $7.5 million in local funds. These properties will either be immediately sold to families at or below the required 120 percent Area Median Income limit or be rehabilitated and sold to families within the income limits who have received notices of eligibility for HPAP.

The targeted property type will generally be the large portion of problematic single family homes in the existing portfolio of REO properties to fill the gap in the market. Properties with no issues should be more easily addressed through homeownership and rehabilitation incentives than through acquisition and disposition by the Department. Moreover, this program will address some of the most blighted and long-standing abandoned units in communities by selling the units to developers, maintaining the property, or rehabilitating the property through the Turnkey Development Program. This will assist neighboring property owners in maintaining property values often impacted by blighted properties, particularly in communities with high concentrations of vacant units like the targeted geographies.

Rehabilitation of 63 Single Family Properties: $9 million
In this activity, PADD will hire fee developers (through an indefinite delivery/indefinite quantity contract) to rehab 63 properties acquired through the Department. The properties will then be sold to affordable households.

Through two contracting methods with the Office of Contracting and Procurement's Indefinite Delivery Indefinite Quantity (IDIQ) process and an MOU with the District of Columbia Housing Authority (DCHA) (Attachment 2), PADD will hire fee developers, general contractors, and modular housing companies to rehabilitate and develop new single family homes on property in the PADD inventory. Through an MOU with UDC's Architectural Research Institute (Attachment 3), PADD will use NSP dollars to leverage local capital funds to develop construction drawings and specifications. PADD will also use capital and unified funds to pay for the construction and rehabilitation of vacant buildings and lots.

1. Under the IDIQ process with OCP, a Task Order RFP, including drawings and specifications, will be issued to the contractors on the IDIQ list, whereby the contractors will submit to PADD estimates for the requested construction. PADD will review the estimates and award the Task Order and the notice to proceed. The goal is to receive competitive prices within a shorter solicitation period.

2. PADD has also entered into an MOU with DCHA's Design Modernization Administration to use their in-house architects and construction managers, on an as-needed basis, to design specifications and drawings, budget, and hire and manage contractors to rehabilitate vacant buildings or build new construction on vacant lots in the PADD inventory. DCHA has the ability to execute certain contracts more quickly than through the OCP process.

PROPOSED SITES:

Using a combination of $8.75 million in local funds and $9 million in NSP2 funds, PADD will renovate 63 units of housing in the targeted areas.

Properties	Ward	Vacancy Type	Units	Funding	Neighborhood	Fiscal Year
1648 U St SE	8	Building	1	DC	Anacostia	FY09
2200 Hunter Pl SE	8	Lot	10	DC	Anacostia	FY09
1414 22nd St SE	8	Lot	1	DC	Anacostia	FY10
1109 50th ST NE	7	Lot	1	DC	Deanwood	FY10
4044 Foote St NE	7	Building	1	DC	Deanwood	FY10
5302 F ST SE	7	Lot	1	DC	Deanwood	FY10
4906 Jay St NE	7	Building	1	DC	Deanwood	FY10
1214 Montello Ave NE	5	Lot	1	DC	Trinidad	FY10
1214 Staples St NE	5	Building	4	DC	Trinidad	FY10
740 19th St NE	5	Lot	1	DC	Trinidad	FY10
1013 Florida Av NE	6	Lot	1	DC	Trinidad	FY10
62nd St NE (8 lots)	7	Lot	10	DC	Deanwood	FY11
919 47th St NE	7	Lot	1	DC	Deanwood	FY11
1663 Montello Ave NE	5	Lot	1	DC	Trinidad	FY11
TOTAL		**14**	**35**			

This program will address the most problematic properties in the District's portfolio of acquired properties. Many of these units require a gut rehabilitation and often lack basics such as floors and roofs. By bringing these units into productive use through direct intervention, the Department can speed up the process and address projects that would otherwise be too large for individual homebuyers. When finished, these units will make up a pipeline of homes available to homebuyers using the Home Purchase Assistance Program in the targeted geographic areas that are ready for occupancy.

Homeownership Incentives for a minimum of 150 homeowners: $2.5 million
Single Family Program:
While direct intervention by the Department is necessary in addressing large vacant structures, blighted single-family homes, and vacant lots, there are many units of single family housing that can be addressed through incentives to individual home buyers. While the District's pipeline of homebuyers has been impacted by tightening credit requirements and job loss, people are still purchasing units in D.C. On June 20th, the Department organized and hosted an event around homeownership opportunities and foreclosure prevention. Homebuyers packed sessions on homebuying in the District, signaling a continued interest in investing in DC neighborhoods.

The Department has a long standing program serving roughly 500 households annually. The Home Purchase Assistance Program offers up to $40,000 in five year deferred loan funds on a sliding income scale for new homeowners up to 120% of the Area Median Income. In addition, District employees have additional benefits available. The HPAP loan is intended to fill the gap between what the buyer can afford and the cost of the home through downpayment assistance. All new home buyers through HPAP are required to go through homeownership counseling with one of the five Community-Based Organizations with which the Department has contracted to offer HUD-certified counseling services to consumers. Currently, the regulations do not allow these funds to work in combination with 203K loans from HUD.

Through the Neighborhood Stabilization Program funds, DHCD proposes two primary changes to the existing HPAP in the targeted communities. First, to encourage households to purchase vacant and foreclosed properties in the targeted neighborhoods, DHCD will add up to $20,000 for households up to 120% of AMI on top of the existing HPAP benefit. Additionally, understanding that rehabilitation is often a barrier in purchasing foreclosed homes, homebuyers in these communities only will be allowed to combine HPAP with a HUD 203K loan for repairs to these homes.

HPAP currently has a leverage ratio of 3.2 for private dollars. In FY2008, $86.2 million was leveraged from private lenders from $27.1 million in a combination of HOME, CDBG, and HPAP repayment funds.

The Department examined the possibility of developing a similar rehabilitation loan product through NSP funds. However, while DHCD administers a single family rehabilitation program, it is not used for new homebuyers and primarily focuses on code violations for homes of aging householders. Using HUD's 203K Program will open up access to a long-standing program with a strong track record. Further, this short-term change in the program will allow the Department to determine if this should be a long term change as part of the District's overall effort to prevent vacancy in communities.

Through the additional $20,000, DHCD believes at least 150 homeowners can be added to the targeted communities to begin to restart the housing markets. By adding this to the existing HPAP, Employer Assisted Housing Program (EAHP) and the union-sponsored additional assistance, District Government employees will have the access to significant resources to encourage homeownership. Based on current capacity, DHCD can provide incentives to 150 households across the three target areas over the next three years of the available funding.

Through HPAP, the Department will build on the existing housing market and encourage the purchase by new residents of foreclosed and vacant units. Further, this will create the pipeline of buyers for the units developed through the multi-family development and single family redevelopment of vacant and foreclosed units.

Multifamily Opportunities:

Revolving Loan Fund for acquisition and construction for 100 units: $10 million

DHCD has a diverse housing market with a homeownership rate of only 44 percent across the District. With fewer than half the District's households owning homes, it is necessary to develop an approach that addresses the full spectrum of housing need to stabilize communities. Moreover, with the credit challenges for families resulting from individual foreclosures, many families will look to transition into a rental situation in either the short or long term to reestablish credit and reduce expenses. To address these broad concerns, the Department will develop an acquisition loan fund for the acquisition of multifamily buildings or multiple units of foreclosed and vacant properties to develop as affordable rental properties.

The Department of Community Development has an existing program to acquire multifamily buildings of more than five units in the District. The Site Acquisition Funding Initiative was developed through a Request for Qualifications to determine qualified lenders. Currently, the SAFI lenders include Cornerstone, City First Homes, Enterprise Community Partners, and Open Door Housing. The District provides funding from the Housing Production Trust Fund. Those funds are then given to the banks to match and provide with expedited underwriting and approval to borrowers for acquisition.

Through the second round of Federal Neighborhood Stabilization Program funds, the DC Department of Housing and Community Development proposes to develop a similar revolving loan fund in partnership with banks, nonprofit lenders and intermediary lenders using the structure of the existing Site Acquisition Funding Initiative (SAFI). The new fund will be called the Property Acquisition and Construction Financing Initiative (PACFI). NSP funds through this fund could be more flexible and could stay in the deal to attract private financing or can be deferred for longer than the traditional SAFI funds.

DHCD has the following goals in the development of the Property Acquisition and Construction Financing Initiative:

- Acquisition of vacant and foreclosed properties in impacted communities;
- Rapid infusion of Federal stimulus dollars into District neighborhoods;

- Redevelopment of properties into affordable rental and homeownership options for District residents; and
- Neighborhood Stabilization in communities impacted by the effects of foreclosure and long term vacancy.

This new initiative will operate under the following rules.

- Eligible entities: nonprofit and for profit developers that qualify for funds with a goal of affordable housing development.
- Eligible buildings: multifamily buildings and groups of single family houses of four units or greater.
- Master loan amount: Up to $5 million per lender, depending on demand and lending track record.
- Form of leveraging: lenders may use the master loan to partially fund the lender's site acquisition/rehabilitation loans; or deposit DHCD funds into a partial guarantee fund for the acquisition/rehabilitation loans.
- Terms:
    - 0% Interest
    - Lender must provide loans on a blended rate basis to reflect the 0% master loan rate plus the spread permitted on DHCD funds.
    - DHCD's portion of the loan may be subordinated such that the DHCD loan is deferred for the term of the loan;
    - Lender must remain in the project for no less than five years;
    - All loans must be closed no later than December 31, 2012.
- Risk Sharing: DHCD will take the top 25% of the risk. Balance will be shared on a pro rata based on participation (less top loss).
- All applicants must complete basic DHCD application to ensure compliance with all Federal and District laws. DHCD will approve or disapprove its participation in loans within 10 days.

The development of a new revolving loan fund will allow the Department to meet the diversity of housing needs in the District. Moreover, it will give developers a resource to address vacant and foreclosed multi-family buildings such as HUD foreclosures, small multi family buildings, and groups of single-family units. Further, a new revolving loan fund will allow for a diversity of new residents in the targeted communities. This vehicle will also allow for a rapid use of funds and a high amount of leverage in communities.

Rehabilitation Financing for 200 units: $12 million

After discussions with lenders, one of the gaps in the ability to address issues in the community is rehabilitation financing. Banks are currently unwilling to lend at rates that will make many affordable housing projects work. Moreover, the District's primary source of rehabilitation funding, the Housing Production Trust Fund (HPTF) is supported through a portion of the deed and recordation tax from the housing market. The decline in home sales volume has resulted in a similar decline in revenues such that in FY2010, the Department anticipates total available funds from HPTF to be less then $12 million. Combined with an existing pipeline of committed projects, this means DHCD has few funds to rehabilitate projects in the target communities.

Therefore, the Department requests funds to support new projects in targeted areas eligible under NSP. The funds will be dispersed either through the revolving loan fund or through a rolling application process to reduce the time required for projects that are ready to proceed. Further, the funds will be loaned at a low interest rate and will provide gap financing. Typical DHCD per unit costs have been $51,000 based on the most recent 24 months of activity. The Department anticipates this continued per unit cost, and estimates that about 230 units can be developed in the next three years at a cost of $12 million. Given the demand for rehabilitation financing and also the existing pipeline of HUD foreclosures, the Department is confident that it can expend the funds within the required three years.

By directing funds to the Development Finance Division, the Department hopes to assist with the rehabilitation of buildings that are vacant or foreclosed but that are already acquired through other financial means. Further, developers that have held onto properties without developing due to financial challenges will have the means to develop them into affordable housing with long term affordability restrictions. This funding will also help tenants who have buildings in foreclosure to purchase and develop their buildings into limited equity cooperatives, a significant source of long term affordable homeownership in the District.