

**Project Narrative
Mellon Street
523 - 525 Mellon Street, SE
Washington, DC 20032**

Background

SOME, Inc. (So Others Might Eat) is requesting an annual allocation of Low Income Housing Tax Credits (LIHTC) for \$569,633, which will generate \$3,987,430 of tax credit equity, and \$854,449 in TCAP funds for its Mellon Street Project. These credits will cover approximately 72% of the total costs to acquire and renovate this building, converting the property to 36 SRO units, 13 efficiency units, and 2 staff efficiency units. SOME is also requesting \$1,320,000 of the available Department of Mental Health (DMH) funds as a grant to help cover project costs. If SOME is awarded the \$1,320,000 in DMH grant funds, we will set aside 15 of the units at Mellon Street for DMH consumers that meet program criteria for the 25 year compliance period as well as 15 of the units at our Texas Avenue property, for a total of 30 DMH units.¹ SOME has had significant success over the years in providing housing to persons with mental illness in an independent but supportive environment. At our current SRO housing, typically between 30 – 40% of the residents have a diagnosed mental illness. They are able to flourish in the integrated environment. Many are already DMH consumers and are connected with a Core Service Agency.

This building will provide long-term supportive housing for special needs single adults, all with initial incomes at or below 50% of the Area Median Income (AMI) and most at or below 30% AMI. As indicated on the Form 202, nine of the fifty-one units at Mellon Street will be wheelchair accessible to serve people with mobility impairment issues. SOME will also provide through its annual fundraising the on-site supportive service staff to address mental health problems, substance abuse recovery issues, money management, credit repair, education and recreational opportunities.

In response to the critical shortage of housing in the District of Columbia, SOME has embarked on an ambitious goal to create approximately 1,000 new units of housing. With our successful track record and support of those in the community as well as District leaders, we are working aggressively every day to create viable housing options.

Sponsorship

SOME is the sponsoring organization of the Mellon Street Project. SOME was founded in 1970 by an interfaith group of priests, ministers and lay persons to help the poor and destitute of Washington DC. What began as a soup kitchen operating out of a church basement has evolved into an ecumenical, comprehensive social service agency. SOME has 39 years of hands-on experience working with homeless men and women, providing direct services to meet the immediate needs of people experiencing homelessness and offering programs that address the root causes of poverty and homelessness. SOME's mission states:

¹ The DMH Project Review Committee has been informed of our request to set aside units at Texas Avenue as part of our funding request for Mellon Street and intends to review the site.

SOME exists to help the poor and homeless of our nation's capital. We meet the immediate needs of the people we serve with food, clothing and health care. We help break the cycle of homelessness by offering services such as affordable housing, job training, addiction treatment, and counseling to the poor, the elderly and individuals with mental illness.

In addition, as the array and scope of program offerings has grown, SOME has gained a considerable amount of property development and management experience. SOME currently provides 307 units of long-term housing for children, women, and men.

In 1989, SOME developed Shalom House (1876 4th Street, NE), the first Single Room Occupancy (SRO) residence built in Washington in 70 years. It was also one of the first tax credit deals completed in the District. This facility was the result of a public/private/non-profit partnership. Shalom House is permanent, affordable and dignified housing for homeless adults. This 95-unit SRO helps homeless persons regain their independence through a structured living arrangement. Shalom House is not a shelter--tenants must sign a renewable one-year lease and pay for all their living expenses, such as food, clothing, and telephone bills. Rent is set at 30% of an individual's income – which gives each person a chance to save up for his or her own independent housing.

Since the completion of Shalom House, SOME has developed three more SROs: Anna Cooper House for 52 residents (1338 R Street, NW), Jeremiah House for 56 residents (2 18th Street, SE), and Freedom House for 31 residents (2125 18th Street, SE). SOME also renovated the Alumni House (61 O Street, NW) which provides 3 units and Providence House (2121 Lincoln Road, NE) which provides 4 units of permanent housing. SOME followed the Oxford House model to open Joseph Smith House (4609 Benning Road, SE) which provides 10 units and Horace McKenna House (Winchester, VA) which provides 10 units of permanent housing for single adults.

In response to the growing need of affordable housing for families, SOME used its SRO housing development experience to create Independence Place (2800 N Street, SE). Opening in September 2005, Independence Place provides 7 four-bedroom apartments and 15 two-bedroom apartments for families. The facility also houses an after school program for children in the building. SOME opened Barnaby House (740 Barnaby Street, SE) in June 2007 for an additional 10 two-bedroom apartments for families and one staff efficiency. In January 2008, SOME opened Zagami House (1701 19th Street, SE) which provides 7 two-bedroom apartments, 5 three-bedroom apartments for families, and 1 staff efficiency. Zagami House was also financed with 9% tax credits.

In addition to pioneering the SRO concept in the District, SOME has also purchased and developed properties for use in addressing different issues and stages of homelessness. These housing properties include transitional housing for *families* at Thea Bowman House (4065 Minnesota Avenue, NE and 68,70, 74, and 76 O Street, NW), a crisis stabilization center for those with *mental illness* at Jordan House (1509 North Capitol Street, NE), transitional housing for those with mental illness at Mary Claire House (1511 & 1513 North Capitol Street, NE), the *elderly* at Dwelling Place Shelter for Abused and Abandoned Elderly (2812 Pennsylvania

Avenue, SE) and *those in recovery from substance abuse* at Exodus House (Highview, WV), Maya Angelou House (Highview, WV), Leland Place (1618, 1620 North Capitol Street, NW), Harvest House (1307 1st Street, NW), and Kirwan House (1305 T Street, NW).

In addition to units of housing, SOME has also developed several blighted properties for program use. These include the Jim Kozuch Building (57 Hanover Place, NW)—the site of SOME's Isaiah House program for the homeless who are mentally ill, the SOME Center for Employment Training (2815 O Street, SE), the Main Dining Room (71 O Street, NW), and the main SOME facility that houses the medical and dental clinics, behavioral health services and the administrative team (60 O Street, NW).

With public and private partnerships, each of these facilities was transformed from a run-down and unoccupied structure to a bright, cheerful and dignified space to provide services for the homeless. Most recently, SOME is preparing to renovate five additional properties. Good Hope House will provide 42 units of housing for seniors and Chabraja House will provide 53 SRO units for single adults. Expected to open in September 2009, two buildings on Chesapeake Street will house 22 families after minor renovations. Additionally, SOME will open Texas Avenue (49 units for single adults) and Bedford Falls (78 units for single adults) in 2010. This combined scattered site project will utilize tax-exempt bond financing and 4% tax credits.

A Board of Directors consisting of 14 members from the community governs SOME. The Board meets quarterly to approve new projects, examine financial records, and make recommendations for the future. Board members are selected based on their field of expertise and their commitment to poor and homeless individuals.

Much of SOME's operational support comes from private contributions from individuals and community groups. In Fiscal Year 2008 these gifts comprised 49.2 percent of our revenue. Government grants accounted for 16 percent of our revenue and foundation grants accounted for 6.9 percent. In 2008 United Way and the Combined Federal Campaign contributions totaled 7 percent of our revenue. Other sources of revenue include special events and rental income. SOME prides itself on maintaining a low overhead and administrative percentage. Currently, SOME spends 2.6 percent of revenue on administration and 7.1 percent on fundraising efforts.

Neighborhood Description

The property is located in Ward 8 in the Congress Heights neighborhood in the Southeast quadrant of DC. The property is located in census tract 73.02 and is in a Neighborhood Investment Fund (NIF) area as designated by the District of Columbia. The property is 0.8 miles from the Congress Heights Metro Station, which provides regional access from the Green Line. The nearest Metro Bus stop is directly in front of the property. King Elementary (0.3), Hart Middle (1.1), and Ballou Senior High School (0.7) are all within a little over a mile and the Congress Heights Recreation Center (0.3), and Oxon Run Recreation Center (0.9) which has a pool, are less than a mile away.

Greater Southeast Community Hospital is 1.7 miles away. The new Giant Food and retail plaza is just over a mile (1.1). Grocery and retail availability is likely to increase as the District works

to coordinate a community based enhancement program to encourage business retention, attraction and expansion in Southeast.

Site Description

The property is located at 523-525 Mellon Street Street, SE. It consists of 22,560 square feet and currently includes one-bedroom and two-bedroom apartments. The building was built around 1941. The site is not located in a flood plain. SOME would convert the property into 36 SRO units and 15 efficiencies, including two for on-site staff. The layout of the property lends itself to a fairly easy conversion to that model. Each SRO resident will have a private room and share a bathroom with two other residents. Each floor will have a lounge and kitchen area for the residents of that floor. The rooms will be furnished for the residents. The efficiency units will have a private bathroom and small kitchenette for cooking. (The building could also be configured as 42 efficiencies for the same cost.)

The building is a garden style apartment, which makes it more difficult to modify for accessibility, but because of the larger foyer area SOME will be able to install a lift and create 9 accessible units. We will also install a ramp to the main entrance of the building for access.

New HVAC units, appliances and water heaters will be required throughout the building. SOME plans to install a solar water heating system as part of the green design. The plumbing and electrical systems are antiquated and will need to be replaced in their entirety. A fire protection system, including sprinklers, will need to be installed in the building. Part of the first level will be used as community space to provide educational and socialization activities for the residents. There will also be a laundry room and computer access for the residents, as well as office space for the supportive service staff.

Development Team

The members of the development team include:

- *Owner/Borrower*— Affordable Housing Opportunities, Inc. (AHO) will be the sole member of a new LLC that will be the managing member of an LLC to be formed to serve as the owner of the property. AHO is a DC nonprofit established by SOME in 2004 specifically to develop and own affordable housing in the District.
- *Developer*—SOME, Inc. is the sponsor and developer of the project. SOME's service and development experience is described above. The contact person for this project is Troy Swanda. He can be reached by telephone at (202) 797-8806 x1035 and via email at tswanda@some.org.
- *Architect*— Nelson Architects was selected as the architect for SOME's Mellon Street Project. Its president, Jane Nelson, has over twenty years professional practice in architecture. She has directed teams that have produced design and construction documents for over 2.5 million square feet of office space and multi-use projects. She has developed major projects involving the restoration and adaptive re-use of historic

structures, and new construction. A fuller description of her project experience was submitted with the original application.

- *General Contractor*— SOME requested that Eichberg Construction look at the property for advice on the condition of the building and work needed for renovation. Eichberg Construction recently completed the renovation of SOME's Shalom House which houses 95 single adults and will be the General Contractor for SOME's Chabraja House. Eichberg has worked with SOME on other projects as well. They have not been formally designated as the General Contractor though, as the project has not been put out to bid. SOME will collect at least three proposals from general contractors before making a decision.
- *Property Management*— SOME will be the Property Manager for Mellon Street. SOME currently manages 432 residential units throughout the District that house families and singles coming out of poverty. In addition, SOME also manages other properties that contain rehabilitative programs for people who are homeless.

Supportive Services

SOME operates over 20 programs across the city which provide a continuum of services to the homeless and poor of DC. Because Mellon Street is also under the umbrella of SOME's services, individuals living there will be able to use the resources within SOME as needed. Programs and services that may be beneficial to Mellon Street residents include a medical clinic, a mental health and addiction treatment outpatient clinic, the Center for Employment Training, senior services, including a shelter for abused and neglected elderly and a day center, a community residential alternative to psychiatric hospitalization, a comprehensive, long-term residential addiction treatment program including transitional housing, transitional housing for adults with mental illness who are homeless, a day socialization program for adults who have a mental illness and are homeless or formerly homeless, transitional and permanent housing and support services for families who are homeless, and case management, which includes furniture and clothing referrals as needed, and a dental clinic.

Furthermore, SOME has established partnerships with other organizations in the District that can be used as resources for Mellon Street residents, including, but not limited to, other providers of health, mental health and addiction treatment services, such as Unity Health Care, Walker-Jones Clinic, Community Connections, Green Door, Woodley House, Samaritan Inns, Second Genesis, and Salvation Army/Harbor Lights to name a few. Our clinic has written agreements with many agencies for the purposes of referrals and collaborative care. Residents at Mellon Street will live independently with on-site supportive services, as well as individualized supportive services from other SOME programs or referrals to other community resources. See the Tenant Service Plan in Exhibit S for more information about available services and partnerships.

Social Objectives

By operating SOME's Mellon Street Project, SOME will provide affordable housing to a significant number of extremely low-income single adults who would otherwise be unable to

afford area rents. The Mellon Street Project will be staffed with a Program Manager and Case Manager (paid for by SOME), as well as live-in Night Monitors and Maintenance staff. All residents sign “Guidelines for Community Living” as part of a lease. Alcohol is prohibited at all SOME units and residents agree to submit to random drug screens. All residents develop goal agreements with the on-site Case Manager, who also coordinate care with other service providers and family members as needed. Volunteers will coordinate recreational activities to further the community environment and provide computer training for persons interested. The staff teams facilitate meetings to discuss common issues on a regular basis, bringing together small groups that share living space more frequently and the entire building of tenants every three months. The staff and volunteers coordinate various groups that are of special interest to the tenants and enlist volunteers to lead those groups, such as Certified Addiction Counselors for maintaining recovery, Nutritionists for healthier eating and cooking lessons, Financial Advisors for debt repayment and tips on saving, Grief Counselors, and Housing Specialists regarding purchasing homes.

SOME also hopes to help the Department of Mental Health reach its goals by providing housing that allows adults with mental illness to assimilate into the community. Mellon Street provides the perfect mix of an independent environment that is supportive for the resident as needed. The residents are able to flourish in this environment.

Needs Assessment

According to the Metropolitan Washington Council of Governments, on January 28, 2009, 9,697 persons were counted as homeless in the District. About 2/3 or 6,228 were literally homeless, meaning they had no shelter at all, were in emergency or temporary housing temporarily, or were at imminent risk of losing precarious housing. This marks an 8% increase in homelessness in the District over the past five years. Of every 1,000 District residents, 10.5 are literally homeless, in contrast with eight neighboring counties which average less than 1.4 per thousand.

The housing prices have spiraled out of reach for the poor and housing costs are higher in D.C. than in all but one state.² Based on current rents, a person working full-time (40 hours a week), must make \$25.00 per hour in order to afford a two-bedroom apartment. A worker earning minimum wage (\$7.55/hour in DC) would have to work a minimum of 131 hours per week to afford that apartment.³ Contributing to the housing pressures in the District is the shrinking stock of affordable housing brought on by the demolition of public housing developments, the expiration of federal assistance contracts, and fewer landlords willing to lease-up Section 8 voucher holders given the tight housing market. In the last eight years, the District has lost nearly 2,000 units of Section 8 (federally-subsidized) affordable housing—about 15% of the total D.C. Section 8 housing stock.⁴ In Wards 7 and 8 nearly half (12,625) of renter households are at 0-30% of AMI, another roughly 9,291 (35%) are between 31% and 50% of AMI, and 4,215 (15%) are between 51% and 80% of AMI.⁵ Seventeen percent (674 persons) of the homeless

² Missouri Economic Research and Information Center, Fourth Quarter 2007 Cost of Living Figures.

³ U.S. Department of Housing and Urban Development, FY 2008 Final Fair Market Rents for Existing Housing.

⁴ Urban Institute, District of Columbia Housing Monitor, Winter 2008.

⁵ Ward 7 Study Area Affordable Housing Market Study for MHCDO, June 2003.

population counted in January were also living with a physical disability.⁶ There are very few units in the District that are priced to be affordable to the 0-30% AMI income group and even fewer accessible units.

High housing costs are a factor in unemployment and other problems that affect our community as a whole. They often limit job opportunities available to low-income individuals because they force people to live far away from job centers and to move frequently. Adults also must sacrifice necessities that allow them to work, like work clothes and money for transportation.

Market Overview

Ward 8 in Southeast Washington, DC is an area quickly transforming due to increased development in the area. It was dubbed one of the 5 hottest DC neighborhoods by Washingtonian magazine (2007). With the largest population of all the wards and the highest population growth from 2000 to 2007, Ward 8 is poised to be at the forefront of development. Below are a few examples of development activities that bring welcome change to the Ward 8 neighborhoods and spur further growth in the area.

- **Anacostia Gateway:** Already the home of the D.C. Department of Housing and Community Development is a class “A” office building with over 63,000 square feet of office space located at the intersections of Martin Luther King, Jr. Avenue, SE and Good Hope Road, SE.
- **Anacostia Square:** A 225,000 square feet of mixed use development will be located near the Anacostia metro station and will feature a mix of office space and condominiums.
- **Anacostia Metro Station:** Over 1.5 million square feet of mixed use development will be developed at the Anacostia station. The development will include the headquarters of the Washington Metropolitan Area Transit Authority along with retail, apartments, condominiums, and other office space.
- **To be Named Development:** Further along Martin Luther King Jr. Avenue, SE near the intersection of V Street, SE, there will be over 6 acres of development including 1.5 million square feet of mixed use buildings. The development will include a grocery store and a movie theater. The developers are Four Points and Curtis Companies.
- **St. Elizabeth’s Hospital:** Located in the Congress Heights neighborhood, the St. Elizabeth’s mental hospital campus, roughly the size of the pentagon is set to be the new home of the U.S. Department of Homeland Security and the headquarters of the U.S. Coast Guard. The move will bring thousands of workers to the area. Plans are still being developed to maximize positive community impact to the neighborhood. A new green line metro station at the site has also been proposed. The east side of the campus will have housing and office space.

⁶ The 2009 Count of Homeless Persons in Shelters and On the Streets in Metropolitan Washington.

- **Anacostia Streetcars:** The Anacostia neighborhood in SE DC will be the first in the city to reintroduce a streetcar system in the District. District officials have planned a 1.3 mile segment that will run through downtown Anacostia along Martin Luther King Jr. Avenue, SE to Good Hope Road, SE.
- **New Communities:** The Barry Farm Housing Project sites have been designated “New Communities” sites. The housing projects will be redeveloped into a mixed income and mixed use community. The community will have access to high quality affordable housing at all income levels and human services. A total of 1,110 market rate and affordable units will replace 654 units of housing. The development plans also include improvement of parks, open space, retail opportunities, and transportation.
- **HOPE VI:** The U.S Department of Housing and Community Development awarded the District of Columbia Housing Authority a \$20 million grant to support the redevelopment of the former Sheridan Terrace Housing project. The project will be developed into an attractive mixed-income community. DCHA intends to rebuild 110 public housing units, 69 affordable rental units, 50 affordable homes for purchase and 107 market rate homes for purchase.
- **The Shops at Park Village:** The Shops at Park Village is the commercial component of the mixed-use redevelopment on 7.5 acres of vacant former army base (Camp Simms). The site includes 63,700 square feet Giant Supermarket and an IHOP restaurant, Ward 8’s only sit down restaurant.
- **Skyland Town Center:** Located near the intersection of Naylor Road, Alabama Avenue and Good Hope Road, the Skyland town center, currently a strip mall, will be developed to include 280,000 square feet of retail with three above ground parking garages and one large parking facility above the anchor tenant, along with 470 mixed income residential units. The center will offer a well-designed living, shopping and gathering place.

With the increased development coming to the area, it is important to act now to provide affordable housing opportunities for individuals at a variety of income levels. While SOME is known for operating rental units at 0-30% of AMI, which is the target population for the Mellon Street property, if appropriate operating subsidies are not available, there exists a portion of SOME’s tenants who now have higher incomes but would still be a good fit for the level of supportive services that would be offered at Mellon Street.

SOME has a pipeline of potential residents who graduate from our other programs and are now ready for the independent yet supportive environment that will be offered at Mellon Street. For instance, graduates of our substance abuse programs and transitional housing who have steady income will thrive in the drug and alcohol free housing provided at Mellon Street. Potential residents will also come from our Mental Health programs, including our transitional housing program for adults with mental illness. Residents will be able to transfer seamlessly to our Mellon Street property, where they will benefit from the on-site supportive services but be able to live independently. This transition would free up units able to serve more single adults at 0-

30% AMI at SOME’s other properties. Mellon Street will also address the severe shortage of affordable units in the District that are accessible.

Project Financing

Financing for the project is summarized in the spreadsheet below. A narrative description of the sources and uses of financing is also provided below.

Acquisition and Predevelopment: SOME purchased the property on September 17, 2008 for a purchase price of \$1,465,625. Total acquisition costs, including fees and expenses, are at \$1,557,151.38. City First Bank provided interim acquisition financing of \$1,561,875 under the City’s SAFI program.

Permanent: SOME is assuming receiving \$0.70 per tax credit based on our letter from PNC Bank, which will generate \$3,987,430 in tax credit equity. SOME is requesting TCAP funds of \$854,449 to fill the gap between the projected \$0.70 rate and the necessary \$0.85 rate to make the project feasible. We are requesting \$1,320,000 in DMH grant funds and, as indicated earlier, if we are awarded those funds we would set aside 15 units at Mellon Street and 15 units at Texas Avenue for DMH consumers who meet our other criteria for the 25 year compliance period. SOME, from its own fundraising through foundations, Federal Home Loan Bank and private donors, will contribute \$223,960 to the project. SOME will also defer \$292,217 (41%) of its developer fee to fill the remaining gap in sources. Cornerstone Inc. will also provide a grant of \$75,000 to the project. A letter from Cornerstone and a letter from PNC Bank to syndicate the tax credits are included in the application.

Equity/Subsidy: In an effort to target individuals at 0 – 30% AMI, SOME intends to apply to the DC Housing Authority for operating subsidies as they become available. However, our commitment to go forward with development of this property is not contingent on the availability or our receipt of such subsidies. With the accessible units and the close proximity to services, this project will be an excellent candidate for sponsor-based Local Rent Supplement Program subsidies or project-based Housing Choice Voucher Program subsidies. If for some reason we are unable to secure operating subsidies, at a minimum SOME will provide subsidies for at least five units to allow residents at 0 – 30% AMI to pay 30% of their income toward rent. In addition SOME will cover the annual social service costs through its separate fundraising efforts.

| <u>Permanent Sources of Funding</u> | <u>Amount</u> |
|--|----------------------|
| LIHTC Equity | \$3,987,430 |
| TCAP | \$854,449 |
| DMH Grant Funds | \$1,320,000 |
| Cornerstone Grant Funds | \$75,000 |
| SOME Equity | \$223,960 |
| Deferred Developer Fee (41%) | \$292,217 |
| Total Development Costs | \$6,753,057 |

Financial Analysis

Project development and operating costs are outlined in the required DHCD forms. The largest expense is incurred with the renovation costs to configure the building into SRO and efficiency units and replace all of the plumbing, electrical and mechanical systems. To create the accessible units, SOME will modify the entrance to the building to allow residents to come in without climbing steps and add a lift to access the units and common areas, including the staff offices.

The tenant rents projected in the pro forma are within the LIHTC guidelines. Operating costs reflect SOME's experience in operating comparable facilities. SOME will pay for the costs of the utilities for all units. Social services are provided by SOME and are not included in the project budget.

Project Timeline

The major milestones involved in moving this project forward are reflected in the chart below. The timeline assumes DHCD closing or early start permission by October 2009.

| Event | Date |
|--------------------------------------|-------------|
| Building Acquisition | 9/17/08 |
| Completion of Architectural Drawings | 8/1/09 |
| Permits Obtained | 10/15/09 |
| Construction Start | 10/16/09 |
| Completion of Construction | 10/1/10 |
| Certificate of Occupancy Received | 10/15/10 |
| Project Lease-up | 12/31/10 |

Importance

The importance of this transaction to the various parties involved is described below.

- **Sponsoring Organization:** Receipt of the Low Income Housing Tax Credit dollars is critically important to SOME to further their mission of providing permanent housing options for individuals coming out of homelessness. In addition to its permanent housing, SOME currently operates 125 units of transitional housing for individuals, and SOME identifies the lack of affordable permanent housing alternatives as a primary barrier to individuals graduating from the transitional housing environment.
- **The District and DHCD:** This project contributes 51 units to the Mayor's goal of developing 6,000 units of low-income housing over the next ten years in an effort to end homelessness. Furthermore, this project advances DHCD's overall goal and mission to help finance quality, affordable housing for all segments of the population. In addition, DHCD would be investing in a project from a sponsor with a solid track record in

developing, operating, and maintaining housing for a special needs population in a targeted neighborhood.

- **Neighborhood Residents:** The neighborhood would benefit from this project in a number of ways including providing housing options for low-income residents who have roots in the community. With the increasingly available services in this area, affordable housing is at risk of being lost to gentrification. Creating these affordable units is important for the stability of the neighborhood.

Attachments

All applicable attachments are included with the DHCD submission. Additional items will be submitted upon request.

Development Budget and Operating Pro-Forma

Income and expense escalation factors are based on 2.5% and 3% respectively. A vacancy rate of 5% is used based on SOME's average vacancy rate in our other housing programs. Tenant rent per unit at initial occupancy will be within the LIHTC guidelines.