

**Project Narrative
Naylor Road
2765 Naylor Road, SE
Washington, DC 20020**

Background

SOME, Inc. (So Others Might Eat) is requesting an annual Low Income Housing Tax Credit (LIHTC) allocation of \$953,290, which will generate \$6,673,031 of tax credit equity, and \$1,429,935 in TCAP funds for its Naylor Road Project. These funds will cover approximately 69% of the total costs to acquire and renovate this building, converting the property to 18 efficiency units, 3 two-bedroom units, 16-three bedroom units, and 3-four bedroom units. This building will provide long-term supportive housing for special needs single adults and families, all with initial incomes at or below 60% of the Area Median Income. As indicated on the Form 202, sixteen of the forty units at Naylor Road 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 children's programs.

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 Naylor Road 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:

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 1 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 Combined Federal Campaign contributions totaled 7 percent of our revenue. Other sources of revenue included 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 Garfield Heights neighborhood in the Southeast quadrant of DC. The property is located in census tract 75.02. The property is 0.7 miles from the Naylor Road Metro Station, which provides regional access from the Green Line. The nearest Metro Bus stop is nearby the front of the property. Stanton, Garfield and Beers Elementary, Moten Middle, Johnson Junior High and Choice Academy Senior High School are all within one mile of the property. THEARC, Boys and Girls Club of America and the Fort Stanton Recreation Center are less than a mile away.

Children's Hospital is less than half a mile away. There is also a Safeway, CVS Pharmacy, three banks (Chase, SunTrust, M&T) and various eating places within half a mile.

Site Description

The property is located at 2765 Naylor Road, SE. It consists of 40,074 square feet and currently includes one-bedroom and two-bedroom apartments. The building, built in the 1940's, is currently vacant and in a deteriorated condition. The site is not located in a flood plain. SOME would convert the property into 18 efficiencies, 3 two-bedrooms, 16 three-bedrooms and 3 four-bedrooms. Sixteen of these units will meet accessible design standards, including 5 of the efficiencies, 2 two-bedrooms, 6 three-bedrooms, and all 3 four-bedroom units. To create these accessible units, which are in such high demand in the City, SOME will change the front entrance of the building to be at grade and add an elevator to the site for accessibility.

New HVAC units, appliances and water heaters will be required throughout the building. SOME hopes 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 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 Naylor Road 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 Naylor Road. 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 Naylor Road 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 Naylor Road residents include a medical clinic (for adults), the Center for Employment Training, senior services, and social services that may include furniture and clothing referrals, individual therapy, group counseling, or addiction counseling. Furthermore, SOME has established partnerships with other organizations in the District that can be used as resources for Naylor Road residents. Through SOME programs or referrals to other outside sources, residents at Naylor Road will strike a balance between independent living and supportive housing. See the Tenant Service Plan in Exhibit S for more information about available services and partnerships.

Social Objectives

In our more than 20 years experience managing residential programs for special needs populations, SOME has learned the importance of providing on-site services for residents in those programs to support and facilitate the tenant's success in housing and their transition toward increasing levels of self-sufficiency. SOME's model of intensive supportive services partnered with a structured environment and goal setting has led to a 92% positive outcome rate for very low-income families and single adults. As we already do at our other housing programs, SOME staff will partner with residents at Naylor Road in their commitment to achieve independence and lasting stability.

A key forum for this partnership is the provision of monthly case management, which will be provided to all residents who move into Naylor Road. Each month, residents will meet with a Case Manager to first develop and then implement an individualized goal plan. In continuing case management sessions, residents will discuss progress with budgeting and savings, development of job skills and employment opportunities, continuing education opportunities, and linkages with needed community resources such as parent support groups, counseling, domestic violence assistance, health and mental health care.

Additionally, a Children Services Case Manager will work in partnership with parents and schools to both assess and track academic progress of all school age children residing at the Naylor Road program. Tutoring, assistance with homework as well as a considerable array of other after-school, weekend and summer activities will be offered.

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 fewer than 1.4 per thousand. Even more alarming is the fact that the number of persons in families that are literally homeless has risen by 2.8% yet the number of persons in families that are living in permanent supportive housing has dropped by 10.6%.

The housing prices have spiraled out of reach for many families in the District. The median cost for a home in D.C. has risen to \$410,000. In the D.C. region as a whole, a family with an income of \$69,200 could afford only 5% of homes sold in 2006, as compared to 42% in 2002.¹ Additionally, the District's affordable housing supply is shrinking. In the first half of 2005, 2,400 multi-family rental units were converted to condos—four times as many as in the whole of 2004.² D.C. had already lost at least 5,000— 15%—of its low-cost rental units.³ 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

Nearly half the households in D.C. have to live on less than \$50,000 a year and more than one in four families with children are living in poverty. In 2006, 26.2% of families with related children under 18—nearly 28,500 families—lived below the official poverty level. For families headed by a woman with no husband present, the percentage in poverty was 40.2%.⁵ In Wards 7 and 8 12,625 renter households are at 0-30% of AMI, another 9,291 are between 31% and 50% of AMI, and 4,215 were between 51% and 80% of AMI.⁶ Twelve percent (747 individuals and families) of the homeless population counted in January were also living with a physical disability.⁷ 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 families because they force families to live far away from job centers and to move frequently. Families also must sacrifice necessities that allow them to work, like child care, work clothes and money for transportation. Frequent moves prompted by high housing costs result in poor school performance. Children may also suffer from lack of nutritious food and exposure to unhealthful or unsafe environments.⁸

D.C. has the highest rate of children in poverty of any jurisdiction in the U.S. 33% of D.C. children live in families with incomes below the official poverty level, as compared to 10% in Maryland, 12% in Virginia and 18% in the U.S. as a whole.⁹

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

¹ Fannie Mae Foundation and Urban Institute, 2007 Housing in the Nation's Capital.

² Comprehensive Housing Strategy Task Force, Homes for an Inclusive City, 2006.

³ DC Fiscal Policy Institute, Squeezed Out.

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

⁵ U.S. Census Bureau, 2006 American Community Survey; 2005 American Community Survey.

⁶ Ward 7 Study Area Affordable Housing Market Study for MHCDO, June 2003.

⁷ The 2009 Count of Homeless Persons in Shelters and On the Streets in Metropolitan Washington.

⁸ Center on Budget and Policy Priorities, The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving From Welfare to Work, 2000.

⁹ National Center for Children in Poverty, Low-Income Children in the United States: National and State Trend Data, 1995-2005.

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.
- **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 families at a variety of income levels. While SOME is known for operating rental units for households at 0-30% of AMI, which is the target population for the Naylor Road 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 Naylor Road.

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 Naylor Road. For instance, graduates of our employment training program (CET) will benefit from the efficiency units that are available at the site as will seniors from our senior programs at Dwelling Place. It is possible that a grandparent to one of the families in the building would be able to have their own efficiency unit and be able to help with child care, cooking, etc. but maintain their own separate space. Depending on the final level of subsidies provided at Naylor Road, SOME will be able to take families from our two-year transitional family housing program (Thea Bowman House) that are now ready for a more independent living environment. SOME will also be able to take families from our other family housing programs that have had increases in income yet still require affordable housing but now need less supportive services than are offered at our other sites. This transition would free up units able to serve more families at 0-30% AMI at SOME's other properties. Naylor Road will also address the severe shortage of affordable units in the District that are accessible. The large number of three-bedroom and four-bedroom units that will be available will also serve a critical shortage in the District.

Project Financing

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

Acquisition and Predevelopment: SOME purchased the property on July 17, 2008 for a purchase price of \$2,800,000. Total acquisition costs, including fees, carrying costs and expenses are at \$2,974,000. City First Bank provided interim acquisition financing of \$2,900,000 under the City's SAFI program.

Permanent: The application proposes permanent financing of \$2,030,000 from PNC Bank plus a subordinate loan from Cornerstone Inc. for \$75,000. SOME is expecting to receive \$0.70 per tax credit based on our letter from PNC Bank, which will generate \$6,673,031 in tax credit equity. SOME is requesting TCAP funds of \$1,429,935 to fill the gap between the projected \$0.70 rate and the necessary \$0.85 rate to make the project feasible. SOME, from its own fundraising through foundations, Federal Home Loan Bank and private donors, will contribute \$968,005 to the project. SOME will also defer \$612,811 (49%) of its developer fee to fill the remaining gap in sources. A letter from PNC Bank to syndicate the tax credits and provide the debt and a letter from Cornerstone Inc. to provide subordinate debt financing are included in Exhibit W.

Equity/Subsidy: In an effort to target families and 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 larger unit size, 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. The units at Naylor Road will also be attractive to residents with portable vouchers. 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>
Conventional Loan-PNC	\$2,030,000
Cornerstone Inc.	\$75,000
LIHTC Equity	\$6,673,031
TCAP	\$1,429,935
SOME Equity	\$968,005
Deferred Developer Fee (49%)	\$612,811
Total Development Costs	\$11,788,781

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 efficiency, two-, three-, and four-bedroom units and replace all of the plumbing, electrical and mechanical systems. To create the accessible units, SOME will completely change the entrance to the building to allow residents to come in at grade level without climbing steps and add an elevator to allow access to all four floors. SOME will also create parking, as there is none on the site currently.

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	7/17/08
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 complete	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 long-term supportive housing options for individuals and families with special needs, particularly those with mobility impairment.
- **The District and DHCD:** 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.