

WEBSTER GARDENS
124, 126, 128, 130 Webster Street, N.W

May 2009

Background

Built in 1921, Webster Gardens which is on the National Register of Historic Places, is one of the earliest garden apartments built in the District of Columbia. The complex which consists of four buildings was designed by noted Washington architect Robert Beresford, who used red brick, hipped roofs, decorative dormer windows, glazed sleeping porches, arched doors and eaves to create a small scale, residential community. Webster Gardens is located at 124, 126, 128, 130 of Webster Street, NW between the Petworth and Brookland neighborhoods in Ward 4. While the historic nature of the complex is largely intact, the buildings themselves are in dire need of a major renovation, including environmental remediation of the lead paint, lead in the water, and asbestos present on the property to make it safe for current and future residents.



Webster Gardens has the following key attributes:

- **Webster Gardens is literally “shovel ready”.** All renovation plans are complete and ready to be submitted for permits. All environmental reports and other third party reports are complete.
- **Tenant Participation in Ownership.** The Tenant Association exercised its TOPA rights, and selected THCAH and Somerset to redevelop the property. The Tenant Association will retain ownership in the General Partner.
- **DCHA Local Rent Supplement Program Assistance.** Webster Gardens has received a commitment for 16 LRSP units from the DC Housing Authority.
- **Historic Landmark Preservation.** The Development Team has successfully put the property on the National Register of Historic Places which will provide historic tax credit financing.
- **Mixed-Income.** Webster Gardens will have a mix of very low-, low-, and moderate income residents, including elderly and families.
- **Non-Profit and LSDBE Development Team.** The developer is a joint venture between THC Affordable Housing, Inc, a local non-profit, and Somerset Development Company, an experienced, local LSDBE company.
- **Severe Lead Contamination.** The property has extreme lead contamination in all paint and in its pipes, as well as asbestos.

As a shovel-ready project, the plans and specs for Webster Gardens are ready for building permits. In addition, the Green Charette has been completed with the recommendations incorporated into the permit drawings. Our environmental consultants have done an Environmental Phase 1 and a full Lead Based Paint Risk Assessment, as well as testing of the lead in the water and asbestos. The Development Team has been working with the development team for well over a year and a half. A signed Memorandum of Agreement between the Development Team and the Webster Tenant Association in April of 2008 provides the Association with an ownership interest in the project and a commitment to preserve the affordability of the project, after a previous development team had tried to convert the property to condominiums.

The Development Team, THCAH and Somerset, proposes to modernize the property to bring it a new long term life, and to make it competitive in the marketplace as a mixed income, affordable rental property and with 16 units of Special Needs housing through the Local Rent Subsidy Program (LRSP). In January of 2008, the Development Team submitted the project to the Department of Housing and Community Development (“DHCD”) for \$4,750,000 in gap financing in the funding round and was approved for underwriting. The project was to be financed through a mix of Tax Exempt Bonds and Low Income Housing Tax Credits through the DC Housing Finance Agency. National Landmark Designation has been obtained and Federal Historic Tax Credits will provide additional funding. In fall of 2008, DHCD notified the Development Team that there is insufficient funding at that time to proceed with the project. Since that time the Development Team has been working diligently with the tenant association to identify funding sources to preserve the affordability of their housing and to undertake the renovation of the property and to eliminate lead (both lead paint and lead in the water) and asbestos risks to the residents living there.

Webster Gardens, LP is requesting 9% tax credits, and that the property receive a 130% Qualified Census Tract Boost. The total amount of 9% tax credits requested is \$629,000.

The Development Team has been awarded sixteen (16) units through the Local Rent Subsidy Program (LRSP) administered by the DC Housing Authority which will provide affordable rents to very low income families and individuals. Webster Gardens has a number of senior residents on fixed incomes who will qualify under the LRSP. With the award of the 16 LRSP units, it is expected that significant capital subsidy will be made available to awardees which will enhance the funding sources available for the project, as part of the legislation introduced in late May by Councilmember Barry. A waiting list will be developed for the units serving Special Needs populations, i.e. those with very low incomes (0-30% AMI) which would include families and individuals that are in homeless situations, emergency shelters or in transitional housing programs.

Somerset Development Company, LLC (Somerset) and THC Affordable Housing, Inc. (THCAH) have a contract to purchase Webster Gardens with the approval and support of the Webster Garden Tenants Association. The Webster Garden Tenants Association will be part of the General Partner. The Webster Garden Tenants Association has been working actively for years to preserve the affordability of the property and to get it renovated given the existing unsafe environmental conditions. Through its partnership with Somerset and THCAH, the residents will be assured that their rents will be affordable, the property will be stabilized in a way which will preserve its historic character and most importantly it will be made safe to live

in, which it currently is not. Over half of the remaining tenants are seniors and have, for all practical purposes, no place that they can afford to go.

Webster Gardens, LP will preserve the affordability of the property for a range of family incomes within the Low Income Housing Tax Credit Limits, and provide upgrades that are attractive and affordable to working families. The property is in need of extensive renovation and will require new windows, new kitchens and baths, new flooring, extensive repair/replacement of plaster walls, electric upgrades, fire and safety upgrades, new HVAC systems, laundry upgrades, structural reinforcements, waterproofing, façade and grounds improvements, new energy efficient appliances, and upgraded common areas. There is extensive environmental remediation needed for the property, including abatement of lead based paint, lead in the water emanating from the property's old infrastructure and asbestos. The Development Team and GreenShape conducted a green design charrette on January 11, 2008 and will meet and likely exceed the Green Communities criteria in its renovation program. The scope of work includes the use of Energy Star rated appliances and lighting fixtures, low-VOC paints, primers, adhesives and sealants, and new energy efficient windows. All upgrades will be undertaken with an eye towards increasing energy efficiency, minimizing resource consumption, creating a healthy living environment and enhancing safety and security.

New community amenities will be added to serve the tenants. These will include a computer lab, new community spaces for the residents, updated laundry facilities, and a new management office. A resident services program will be developed in conjunction with the current tenants and offered to all residents. A resident services fund will be established by the developer as seed money for this program. THC Affordable Housing and its affiliate, THC, have an extensive track record providing resident services to very low income families.

The Development team proposes to retain the 52 existing units but will convert the medium and larger bedroom units with dens into two-bedrooms. In addition, four (4) of the ground floor units will be made UFAS compliant and three of these units will be converted to three bedroom units. The new unit mix will be 3 three-bedroom units, 40 two-bedrooms and 9 one-bedroom units. Additional capital subsidy from the Housing Authority for these three bedroom UFAS units may be available.

Sponsorship

THC Affordable Housing, Inc. and **Somerset Development Company, LLC** have formed a joint venture, Webster Partners, LLC, to acquire and redevelop the property. Webster Partners, LLC will be the General Partner of Webster Gardens, which will own and operate the property. Webster Garden Tenants Association will have a 10% interest in the General Partner which will be dedicated to resident services.

THC Affordable Housing, Inc. (“**THCAH**”) is non-profit affordable housing developer, affiliated with Transitional Housing Corporation (THC) formed in 2005. THCAH is a qualified developer under the District's Site Acquisition Funding Initiative (SAFI) program. THCAH formed a limited partnership and purchased a 32 unit vacant building at 6030-6050 13th Place NW with a SAFI loan for development as affordable rental for families. THCAH has closed on

with DHCD on the take out financing of the SAFI loan. THCAH is now working with Somerset to purchase 6000 13th Place, NW, to expand the project, obtain historic tax credits and proceed to closing by December 31, 2009. The expanded project will result in the preservation of 60 units of affordable housing. THCAH is also working with Episcopal Senior Ministries to identify affordable senior housing sites in the District for development of independent senior living. THCAH is an active partner in the development of Webster Gardens, working with the tenant association on the rehabilitation plan and lead paint issues, taking the lead in seller negotiations, preparing resident services plans, and THCAH will oversee management operations for the Webster Gardens project.

Its affiliate, THC is a faith-based, District based, non-profit partnership whose mission is to provide housing and comprehensive support services to homeless and at-risk families so that they can make transformational changes in their lives. THC has been providing comprehensive support services to homeless and at-risk families since 1993 so that they can make transformation in their lives. THC currently operates 40 units of transitional housing in three Partner Arms transitional housing facilities, two in the Georgia Avenue corridor of Ward 4 and one in the Ward 7 Ft. Dupont neighborhood that serve an aggregate of 60 families and over 150 children each year. THC provides stable housing and wraparound supportive services to each family in the program that transitions families to permanent housing after a two year period THC also operates 39 units of Permanent Supportive Housing under its Housing With Care Program. THC will provide community services to tenants at Webster Gardens. The Tenant Services Plan will be developed in conjunction with the tenants and implemented by THC. THC has also committed to assist in the identification of as much as \$50,000 in grant funds over a five year period to augment the \$100,000 Tenant Services Fund which will be established at Webster.

Somerset Development Company, LLC is a for-profit real estate development company based in Washington, D.C. specializing in revitalization of urban areas. Somerset develops and preserves affordable housing, renovated historic properties and develops mixed-use properties that strengthen local communities. Somerset has a strong record of partnering with tenant associations, community organizations, local businesses, and the public sector that share Somerset's vision of building stronger communities. Founded in 2000, Somerset is a certified Local Small and Disadvantaged Business Entity in Washington, D. C. and a 51% Woman-owned Business Entity. Its principals are Jim Campbell, who has over 29 years of experience in real estate development and finance, and Nancy Hooff with 27 years of community and international development experience. Somerset has developed affordable and market rate multi-family rental housing, mixed use and homeownership projects valued at over \$152 million in Washington, D.C. and Baltimore, MD with over 710 residential units, retail spaces and new community buildings. In partnership with tenant associations, and with financing from DHCD and DCHFA, Somerset has successfully renovated and preserved the affordability of Urban Village (72 units), Faircliff Plaza East (80 units) and Faircliff Plaza West (112 units), Galen Terrace (83 units) and most recently the historic Hubbard Place, formerly known as Cavalier Apartments (230 units).

In April 2009, Mayor Fenty, Representative Eleanor Holmes Norton, Councilmember Jim Graham, and DHCH Executive Director Leila Edmunds celebrated with the Columbia Heights neighborhood and the residents the grand opening of Hubbard Place. Somerset redeveloped this 8 story 230-unit apartment building with funding from DCHFA, DHCD, DCHA and historic tax credits. The renovations included major fire and safety upgrades, major infrastructure repairs, security upgrades, all new renovated residential units, new community spaces, a new playground,

a computer lab, new mail room and laundry facilities. The management team is enhanced with an on-site resident services coordinator who is working closely with residents to implement a range of resident services. In addition, Somerset has completed the construction of a new 32 town home community near Penn Station in Baltimore, MD and currently has under construction the historic Professional Arts Building, an eight story building in Baltimore that is being converted to a mixed-use building with 96 residences and a ground floor commercial space using historic tax credits.

Somerset successfully led the effort to place Hubbard Place and the Professional Arts Building on the National Register of Historic Place which provided enhanced the financing for the projects through historic tax credits.

Besides the physical transformation of the properties and the preservation of affordability of Somerset's properties in D.C., the company has established community center associations with the residents, and provided on-going funding for services to these apartment communities. Urban Village Community Center Association, Faircliff Community Center Association, Faircliff West Community Center Association and Galen Terrace provide After School programs and summer programs for children, and instruction and programs for adults in new community centers built during renovations.

Somerset will play a lead role in putting together the financing of the project and overseeing the design and construction of Webster Gardens. The company has had a successful partnership with another non-profit, National Housing Trust-Enterprise, in redeveloping Galen Terrace, located in South East D.C. Galen Terrace was the first project in the District to meet the standards of the Enterprise Green Communities Initiative and DHCD's green criteria and won the HAND award for the best affordable project in the District in 2008.

Neighborhood Description

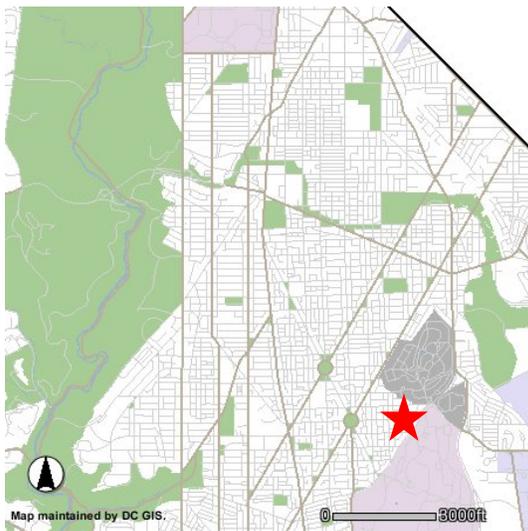
Built in 1921, Webster Gardens is located on the border line between the Petworth and Brookland neighborhoods in Ward 4. Webster Gardens is about one block west of the Armed Forces Retirement Home (Old Soldiers Home), where major redevelopment plans are in place. With 162 acres of land to be developed, the vision for the Old Soldiers Home is a new mixed-use, mixed-income community in the inner city. The surrounding neighborhood is made up largely of single-family row-houses. The size, scale and style of Webster Gardens, although an apartment complex, echoes the surrounding neighborhood.

The modernization and preservation of Webster Gardens will compliment the extensive redevelopment program planned for the historic Old Soldiers Home site, but the influx of this level of new investment eventually will bring tremendous economic pressures on the surrounding neighborhoods. New retail and housing planned at the Old Soldiers Home will push housing prices in Petworth and Brookland and encourage the conversion of affordable rental properties such as Webster Gardens to high-end condominiums. The renovation program proposed for Webster Gardens will safeguard this existing rental property as affordable for current and future residents.

Ward 4 has ready access by car and bus to employment opportunities both in downtown Washington and Montgomery County along the Georgia Avenue and North Capitol corridors. Two bus routes travel Rock Creek Church Road, one block from the property. Residents can also access the Fort Totten, Brookland and Georgia Avenue/Petworth Metro stations or multiple bus lines. The neighborhood also has a number of employment opportunities in its own right. Nearby retail and professional office buildings can be found along the Georgia Avenue and New Hampshire Avenue intersection. The property is in close proximity to Catholic, Trinity and Howard Universities, the Howard and Children's Hospitals, and the Washington Hospital Center. North Capitol Street is a few blocks away. These factors may account for the Ward's low employment rate of 4 percent, based on the 2000 Census. With a median income of \$46,048 in 2000, the Ward's income is above the City's average, \$40,127 and it is the second highest income among all Wards in the City. The poverty rate is 12%.

Site Description

Built in 1921, Webster Gardens is a complex consisting of four buildings and is one of the earliest garden apartments in the District of Columbia. Located at on the south side of Webster Street at 124-130 Webster Street, N.W. the property sits in a quiet residential area adjacent to Old Soldiers Home in Ward 4 in Northwest Washington, D.C. with good access to public transportation, retail, universities, and hospitals.



Webster Gardens sits on the boarder line of Census Tracts 23.1 and 22.2 situated among single-family homes and small multi-family residences. **Webster Gardens is not in a Qualified Census Tract. The Development Team is requesting that the project be given a 130% QCT boost by DHCD to help fund the project.**

Webster Gardens consists of 4 three-story buildings on approximately 1.10 acres and is zoned R5A. The approximate gross area is 74,524 square feet. There are 52 apartments that vary

between one-bedroom units, one bedroom with a den, and two bedrooms with a den. There are currently a total of 44 one-bedroom units of varying sizes and 8 two-bedroom units. The units have one bathroom and eat-in kitchens. Each building has a central boiler providing gas heat. Heat is provided by a feed system to individual radiator units. Air conditioning is provided by a through the window air unit (tenant supplied). Gas heat, water, sewer and trash removal are currently provided by the owner. Tenants pay for electric and cooking gas.

While the Ward had a homeownership rate of nearly 62% in 2000, this property sits between a community with a very healthy homeownership rate of 72.5% and one with a modest rate of 46.7%. Recent trends reflect the influx of people of many ethnic backgrounds. However, in 2000, the population was largely (71%) African-American and 18 percent were White. Homes in the immediate surrounds of Webster Gardens tend to be largely older single-family detached and semi-detached units averaging 40 to 50 years in age in 2000 with census tract 23.1 as the older of the two. Median home values in census tract 23.1 were \$127,300 in 2000 and \$120,000 for census tract 22.2.

The Development Team

Applicant and Developer: **Somerset Development Company, LLC** and **THC Affordable Housing, Inc.**, the project sponsors, have formed a joint venture, Webster Partners, LLC, to serve as the Developer for Webster Gardens. The Webster Garden Tenant Association will have a 10% ownership interest in the General Partnership. The owner of the project and borrower will be **Webster Gardens, LP** (a to-be-formed entity).

General Contractor—Hamel Commercial., Inc is an affiliate of Hamel Builders, Inc. Hamel has a long record of construction accomplishments and a recognized expertise in rehabilitation of subsidized housing in the Washington, D.C. Metropolitan area. The organization has made a niche in building and renovating affordable housing. To date, Hamel has completed 71 multi-family housing rehab projects totaling approximately 8,690 units. Hamel has an excellent record of using LSDBE's in completing its projects in the District. Hamel recently worked with Somerset and its partner, NHT Enterprises, on the completion of Galen Terrace in the spring of 2007. Hamel was the general contractor on the recent Hubbard Place renovations where Hamel achieved 35% LSDBE procurement of services. In addition, Hamel has extensive experience in implementing lead safe practices during construction.

Architect:--EDG Architects. EDG, which stands for Environmental Design Group, approaches architectural design and production as a collaborative effort and will be instrumental in leading the effort to incorporate energy efficiency and Green Design elements in the redevelopment of Webster Gardens. With offices in the Washington area since 1972, EDG has been responsible for the design and reproduction of more than 150 projects ranging from single family residences and small group homes to large commercial and multifamily complexes. EDG's experience includes more than 50 residential rehabilitation projects ranging from cosmetic repairs to historic restoration and adaptive re-use with replacement of all major building systems. EDG and Hamel Builders, Inc. completed the renovation of Galen Terrace Apartments, which was the first rehabilitated property in D.C. to meet all of the green criteria under the Enterprise Green Communities Initiative.

Property Management—Edgewood Management Corporation currently manages a portfolio of 163 properties containing more than 25,000 units. Edgewood is a full service agent providing management to more than 4,000 conventional apartments, 9,000 tax credit apartments and 11,000 federally assisted apartments. Edgewood’s diverse portfolio has made it well versed in the management of garden, mid-rise, high-rise and townhouse style apartment communities. Edgewood has an excellent team of managers and relocation specialists who work exclusively on renovation projects similar to Webster Gardens. Edgewood recently worked with Somerset during the renovation of Cavalier Apartments, renamed Hubbard Place, and managed the temporary relocation effort there. They also provide management services at other Somerset properties.

Environmental Consultants--*Ctgroup* founded in 2002, is a small business, environmental consulting firm focused on meeting client needs. Their specialized staff offers over 50 years of combined experience and has built a solid business on conducting Hazardous Materials surveys, including asbestos, lead paint, ozone depleting compounds, polychlorinated byphenyls, mercury, and other metals, organic solvents and industrial chemicals. *Ctgroup* conducts the full range of environmental surveys, including, soil sampling services, utilizing both manual and hydraulically powered equipment are conducted on a routine basis; UST and AST system management, installation, removal and tank testing services; ground water sampling and surface water sampling services; and hazardous waste disposal and management. *Ctgroup* also provides construction management and oversight services, which include, asbestos and lead removal oversight; oversight of construction and demolition activities; UST and AST Removals and Installations. Most recently, they provided environmental services during the renovations at the Hubbard Place, a Somerset project which was completed in April 2009. At Webster Gardens, they have conducted a Phase 1 and a Lead Based Paint Risk Assessment, as well as testing of lead in the water and asbestos. They will oversee all aspects of environmental remediation and abatement necessary and assure that the project remains compliant.

Green Development Consultant--GreenShape LLC is a certified LSDBE company registered in the District of Columbia. They help developers, architects, engineers and construction teams identify and implement achievable strategies for improved building performance. They provide guidance in utilization of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System as a framework for creating better quality, healthier buildings at about the same cost as traditional buildings and support the development of programs and policies for sustainable living.

GreenShape LLC is an approved facilitator of the green building charrette, a requirement for the DHCD application. They have conducted a green charrette with the development team and the requirements for the Green Communities Rating System have been incorporated into the design and construction practices of Webster Gardens..

Historic Tax Credit Consultant--EHT Tracerics, Inc. is a research and consulting firm specializing in historic preservation. The firm provides a wide range of services related to historic and cultural resources, including research, survey, identification, evaluation, and

preservation. EHT Traceries manages project types involving Historic Preservation Certification Applications, Section 106 review consultation and documentation, Historic American Building Survey documentation, National Register/ Historic Landmark/ Historic District nominations, Preservation Plans, and preservation compliance consultation. A women-owned corporation, EHT Traceries works throughout the United States, focusing on the District of Columbia, Maryland, and Virginia. EHT Traceries is a certified LSDBE company registered in the District of Columbia. It is a women-owned research and consulting firm specializing in architectural history and historic preservation. Consulting for the Development Team, EHT successfully led the effort to place Webster Gardens on the National Register of Historic Places in November 2008.

The Redevelopment Plan

The Development Team proposes to modernize the property and make it competitive in the marketplace as a mixed-income, affordable rental property. The Development Team will preserve the affordability of the property for a range of family incomes within the Low Income Housing Tax Credit Limits, and will provide upgrades that are attractive and affordable to working families. The Developer has received a commitment for 16 units of Local Rent Subsidy Program (LRSP) from DC Housing Authority to allow the project to have units that serve very low income families. Under the terms of a Memorandum of Agreement with Webster Gardens Tenants Association (WGTA), the current residents (36 households), will be grandfathered into their affordable rents with increases which track with rent control. Other rents will be in conformance with LIHTC. Very low income tenants under the LRSP program will pay only 30% of their income for rent.

The property is in need of extensive renovation and will require new windows, new kitchens and baths, refinished/replaced hardwood floors, extensive repair/replacement of plaster walls, electric upgrades, new HVAC systems (possibly converted from gas to electric and individually metered), laundry upgrades, façade and grounds improvements, and upgraded common areas. There is extensive environmental remediation needed for the property, including abatement of lead based paint, lead in the drinking water, and asbestos. The Development Team plans to implement as many green features as possible and to improve the energy efficiency of the buildings to the greatest extent possible.

The Development Team proposes to retain the 52 existing units. The medium and larger one-bedroom units with dens will be converted to two-bedrooms. In addition, each of the 4 buildings has a one-bedroom basement unit, a laundry and open areas. All four of the ground floor units will be made UFAS compliant and three will be converted to three bedroom units. The new unit mix will consist of 3 three-bedroom units, 40 two-bedroom units and 9 one-bedroom units. Laundries will be upgraded, and a community space with business center/computer lab, space for the delivery of resident services and an office for on-site management will be added.

The Development Team has successfully guided the property through the historic preservation process and the property was designated a National Historic Landmark in November of 2008. This makes the property eligible during the renovation process for Historic Tax Credit financing.

Supportive Services Program

A tenant service plan will be developed in conjunction with the residents of Webster Gardens.

Resident services will be provided on an as-needed and as-requested basis to the adult, senior and children residents and will be implemented by THC Affordable Housing, Inc. A full program of services will be provided and tailored to new residents with special needs to assure that they become successful tenants at Webster Gardens.

Residents will be offered on-site resident services in the areas of employment referral services, financial literacy, and youth enrichment. There will be a Resident Services Coordinator who will help tenants navigate the increasingly complex array of government and community services and provide programs and workshops on tenant identified topics of interest. These could include budget management, beginning to advanced computer skills, wellness programs and homeownership referrals. Programs will be offered in the evenings and on weekends to meet the needs of working individuals.

The physical redesign of Webster Gardens will greatly enhance the delivery of resident services by providing new community space and a computer lab.

The developer will provide a \$100,000 out of project sources to establish a Tenant Services Fund along with 10% of the net cash flow of the property which represents the Tenant Association's ownership interest of the general partnership, property will be used to supplement services. The Development Team will seek to raise an additional \$50,000 in grants over the first 5 years to support resident services.

Market Overview

Webster Gardens has a rich history which complements the surrounding residential neighborhood and the prospective redevelopment at the Old Soldiers Home. In an already expensive housing market for most residents of the District, preserving Webster Gardens to serve a mix of incomes is very timely. Most of the long-time residents, some who have been there well over 30 years, will be challenged to remain if Webster Gardens were to be developed as market rate homeownership or rental and as the pressures from surrounding neighborhood development continues.

With the presence of the federal government, the Washington job market remains solid. A transient work force has produced a large pool of renters by choice and the stalled condominium market has turned many potential purchasers into renters. The pipeline of available housing supply continues to decline from its peak in the last quarter of 2007 and rents continue to climb. Vacancy rates in D.C. represent one of the lowest in any major metro area and one of the highest absorption rates. The Petworth and Brookland neighborhoods represent underserved submarkets where development and repositioning opportunities exist and thus, will continue the trend in increased home values and rents. The need for decent, affordable housing for working families with incomes at 60% or below are only increasing in neighborhoods like the one Webster Gardens is located as these submarkets are developed.

Webster Gardens will be developed using Low Income Housing Tax Credits, along with DHCD funding and other sources, ensuring that rents remain affordable for the extended use period. Affordability will be preserved for existing tenants with rent increases of not more than 6% per year up to the tax credit limits. Very low income households (below 30% of AMI) will have the opportunity to benefit from the Local Rent Supplement Program through the DC Housing Authority that will allow them to pay no more than 30% of their income for rent. With the LIHTC, the redevelopment plan will upgrade the property and add amenities to make it competitive in the market while keeping it affordable to working families. Webster Gardens' proximity to major employers, i.e., hospitals, higher educational institutions and the retail and professional opportunities along the Georgia Avenue and North Capitol corridors will provide a healthy pool of potential renters who will be tax credit eligible. The redevelopment of Old Soldiers Home will also help to attract more residents to the area.

Current Status

The Development Team has a purchase contract with the current owner, which expires in December of 2009. The property has already received its historic land mark designation making the project eligible for historic tax credits. Our original financing plan was to acquire and renovate the property through tax-exempt bonds and Low Income Housing Tax Credit equity, federal historic tax credit equity, subordinate loan funding from DHCD, and other grants, including funds from the Lead Safe Washington program. In addition, Webster Gardens has received a commitment for 16 units to be assisted under the Local Rent Subsidy Program for very low income households.

Our application for bond financing at DCHFA was approved in an initial bond resolution in May 2008, which automatically qualifies the project for Low Income Housing Tax Credit equity. At the same time, our application to DHCD in the November 2007 round received initial approval for underwriting in 2008. Due to the economic crisis and the drop-off in real estate transactions which provide the funding for the Housing Preservation Trust Funds, Webster Gardens funding has been delayed.

All the while the tenants continue to live in a property that has lead paint and asbestos risks and lead in the drinking water. With pressure from the Development Team, the current owners have agreed to put water filters on the kitchen faucets as a temporary measure. The environmental risks at this property need a long term solution.

Project Financing

9% Tax Credit Application -- With this 9% tax credit application the Development Team proposes to close by the end of 2009 with no additional gap funds needed from DHCD. Below is a summary of sources and uses of funds:

Acquisition and Predevelopment Funding – Enterprise provided a \$25,000 redevelopment loan for the project and Enterprise Green Communities provided a \$5000 grant for the Green

Design Charrette that was conducted on January 11, 2008. All other pre-development expenses been paid by the Development Team.

Construction Loan – Construction financing will be provided by a bank, either as a construction loan for the construction period, to be taken-out by the permanent financing and a portion of tax credit equity, or as a construction-permanent loan. A letter of interest has been provided by Bank of America (see Exhibit W).

Permanent Loan – Permanent financing will be provided with credit enhancement from the Freddie Mac Targeted Affordable Housing program, or through a construction-permanent loan from a bank. Prudential Mortgage has provided a letter of interest to provide the Freddie Mac loan, and Bank of America has provided a letter of interest for the construction-permanent financing (see Exhibit W).

Tax Credit Equity – Tax credit equity in the amount of approximately \$6,106,000 will be provided through the “9%” Low Income Housing Tax Credits requested in this application, and Historic Tax Credits. Enterprise has provided a letter of interest to purchase the Tax Credits (see at Exhibit W).

Lead Safe Washington – An application has been submitted for funding from Lead Safe Washington; and Webster Gardens has received a preliminary conditional commitment of up to \$500,000 (see Exhibit W).

DCHA LRSP Reserve Funding – The District Council has passed legislation allowing for LRSP Reserve Funds to be used to assist properties with existing LRSP commitments to move forward. Webster Gardens is one of only six eligible properties.

DCHA UFAS Capital Funding – Webster Gardens, LP is applying for funding in the amount of \$100,000 from DCHA in exchange for setting-aside two 3BR UFAS units for Housing Authority residents. Webster Gardens is a strong candidate for such funding (see Exhibit W).

Development Budget and Operating Pro-forma:

Assumptions used in the Pro Forma for underwriting include the following.

Construction Loan – Terms for the construction period loan are anticipated to be an 18-month construction term with a 5.25% construction interest rate.

Permanent Loan – Terms for the permanent loan are anticipated to be a 35 year term, 35 year amortization and a 6.50% interest rate, with a 7% vacancy factor for loan underwriting.

Tax Credit Equity – Pricing for the Low Income Housing Tax Credits is projected at \$.76 per credit dollar, and the federal Historic Tax Credits are projected at a price of \$.95.

Trending – Expenses are trended at 3%. Incomes are trended at 2.5%, except that for existing tenants at below market rents and below tax credit limits per income category rents are trended at 6% until the tax credit rent levels are met.

Rental Subsidy – The Developer has received a commitment from the DC Housing Authority for the Local Rent Subsidy Program that will provide rental assistance for at least 16 families which includes existing families and families and individuals that are in homeless situations, emergency shelters or in transitional housing programs that are served by THC.

Project Risk

The project has normal real estate risks, including construction, interest rate, and market. However, these risks are mitigated by having substantial contingencies, locking interest rates as early as possible with bond purchasers, and the LRSP contract. The property is in an excellent location for marketing purposes, located one block from Old Soldiers Home, and with the renovation program proposed, it will be in an excellent position to compete in the marketplace given the high demand for affordable, quality units. The building is structurally sound as evidenced by the property conditions report.

Collateral Position

There is no DHCD subordinate loan requiring collateral.

Project Timeline

The Development Team has been working on the project since December 2007 and has construction drawings ready to file for permit. The following is the project timeline:

Sign LOI with Owner	Dec. 2007
Conduct Green Charrette	January 11, 2008
Execute Purchase and Sale Assignment	January 24, 2008
File application with DHCD for gap financing	January 25 2008
File DCHA- LRSP Application	February 28, 2008
Notified of DHCD underwriting/funding	March 24, 2008
Received Historic Designation	August, 2008
Lead Safe Washington Application filed	September 2008
DCHA LRSP Commitment Letter	March, 2009
9% Tax Credit Application	May 18, 2009
9% Tax Credit Award	July, 2009
Close on acquisition and financing	December, 2009
Construction Completion	August 2010

DHCD Funding Goals

The project meets DHCD funding goals in the following ways:

- The project is **shovel ready, with renovation plans ready to submit for permits; all environmental and third party reports complete; and the property placed on the National Register of Historic Places.**
- The focus of the project is to **preserve existing affordable housing** in a neighborhood that is experiencing increased home values and rental and eventually will face pressures from the Old Soldiers Home redevelopment. In so doing, the redevelopment plan will provide for one third of the units to serve current very-low income families and provide permanent housing opportunities to homeless or special needs families and individuals.
- The project is a **mixed income housing** development that will serve a range of income levels. Because the property has never been thoroughly renovated, rents have remained low relative to the market. This redevelopment program will preserve rents for existing residents at current levels with only modest annual rent increases of not more than 6 percent. The LRSP rent subsidy will provide **16 units of special needs housing for homeless and at risk families and seniors.**
- The **tenant supportive services program** will be provided to provide on-site programs and referrals. The Development Team will establish a tenant service endowment fund of \$100,000 and annual contributions from cash flow in the amount of approximately \$20,000. The renovation program includes a computer lab, remodeled community space for residents, upgraded laundry rooms. A tenant services plan will be developed in conjunction with the tenants and offered to all residents on site, which could include employment referral services, financial literacy, youth enrichment and senior programs.
- The renovations at **Webster will meet or exceed the Green Communities Criteria.** The Development Team has experience in implementing DHCD's green communities criteria at Galen Terrace, which was the first project to meet DHCD's green criteria. The Development Team participated in a green charrette for Webster Gardens.
- Physical upgrades to the property will **address long standing deferred maintenance and severe lead paint, lead in the water, asbestos and code related issues**, by making improvements to fire and safety standards, remediating the asbestos and lead based paint on the property, and upgrading the electric and HVAC systems.
- Four (4) ground-level units will be remodeled as **UFAS compliant to serve families with physical disabilities** of which three will be reconfigured into three-bedroom units.

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