

**APPENDIX 1 – continued**  
**PROJECT NARRATIVE**  
**21 Kennedy St., NW**

21 Kennedy St., NW  
Washington, DC 20012

*Briefly summarize the nature of the proposed project and support services (if applicable), including the amount and type of financing, and a brief description of the community in general. How did this specific project originate? Also, give a brief history of the relationship between members of the development team.*

**Development Plan**

Mi Casa, Inc. is requesting \$1,500,500 to purchase 20 units of vacant, fully developed housing to be operated as affordable rental housing. These units, located at 21 Kennedy St. were developed as affordable condominiums by Unity Cooperative with Mi Casa serving as development consultants.

The full renovation of 21 Kennedy Street was completed in December 2009. The building was developed into for-sale workforce and affordable housing condominium units which have been in the market for over a year with no sales to date. The units are currently being marketed well below the prices established at underwriting and are still sitting empty.

Currently the project is governed by a forbearance and workout agreement between Unity, Mi Casa and the existing lenders Mercy Housing and Open Door. As part of the plan, Mi Casa applied for and received a grant from NSP II as part of a consortium to assist the Cooperative in completing the redevelopment. A portion of these funds were used to help the Co-op pay off part of the loan and the balance will be used to renovate the Cooperative building. Because both buildings secure the current loan, a key element of the proposed work-out plan was to split the loan, minimizing the risk to the Co-op and allowing them to renovate their building as originally planned. The Cooperative also applied for, and has tentatively been approved for a Housing Authority (DCHA) Capital Based Assistance Grant through the Local Rent Supplement Program to fund a gap on the construction funding. The renovation is projected to start in Fall of this year.

Mi Casa believes that by purchasing the vacant, developed units we may help stabilize the neighborhood, reduce the amount of vacant properties in the City, and provide much needed affordable housing to future residents. Unfortunately, sales of the condos have not been forthcoming and are not expected to move quickly. We are confident that if the property is converted into a rental, it will be quickly occupied and stabilized.

Purchasing the condominium units and converting to rental will help bring the project to stabilization and reduce the uncertainty the market puts on condominium projects. Mortgage financing for low income families has virtually dried up, and although the units are priced below market, they will continue to sit vacant. Additionally there is a strong

likelihood that these units will not be maintained as affordable housing in the long-term should the market pick up and the units sell.

Mi Casa's proposal will fill these units with very low, low and moderate income households and preserve the affordability for at least 40 years.

The units will be affordable to households under 60% of AMI with 75% of these affordable to households under 50% of median. The project will support a private loan of almost \$1.2 million. Mi Casa has received a letter of intent to provide funding from United Bank.

This development plan meets the the DHCD policy of:

- Redevelop abandoned, foreclosed, or vacant properties (*as defined in this RFP*) into rental and/or homeownership affordable housing – the property meets both the abandoned and foreclosed definitions.

In addition it meets following criteria as outlined in the RFP:

- Increase the supply of decent, affordable rental and ownership low-income housing – the project will result in 20 quality, long-term affordable homes through assistance for preservation, rehabilitation and new construction;

## **Background**

The residents of 21-25 Kennedy received a notice of sale in 2005. They formed Unity Cooperative and purchased the property through the Tenant Opportunity to Purchase Act on August 14, 2006 with the technical assistance of Mi Casa, Inc. their development consultant. The goal of the residents in purchasing the building was two-fold: to preserve the affordability of the units for current residents and create opportunities for moderate income homeownership for those residents who can afford it. The Cooperative decided that given the range of age and income of residents a combination of ownership options would best serve the residents' needs. One building would be converted to condominiums which would target low to moderate income buyers and one building would be renovated as a limited equity cooperative.

With the help of Mi Casa, the Cooperative secured an acquisition and construction loan from a mission based lender, Mercy Loan Fund (Lender) in August 2008. The loan covered the acquisition for both buildings and construction on the condominium rehabilitation. Originally, the proceeds of the sales were to help the Co-op fill the funding gap for the cooperative renovation. However, because of the fall in the real estate market those additional proceeds were not realized.

21 Kennedy Street is composed of 22 newly-renovated affordable condominiums. There are two units that have been renovated to include accessibility features. These condos are

being sold as workforce and affordable housing units. The renovation, completed in December 2009, included a complete upgrade of the building systems (electrical, plumbing, mechanical, and envelop), new kitchens and appliances, and finishes throughout.

25 Kennedy St. is now owned by Building 25 Unity Cooperative, a limited equity cooperative. Rehabilitation is projected to start in early Fall of this year. It will remain as a Limited Equity Cooperative and will be rehabbed to upgrade all systems, appliances and finishes. Mi Casa applied for and received a grant from NSP II from HUD to assist the Cooperative in completing the project and averting foreclosure. The Cooperative also received a grant and rent supplement from District Housing Authority (DCHA) through the Local Rent Supplement Program which will help fill the gap in construction funds.

### **Neighborhood Description –**

*Discuss accessibility to public transportation, retail and other services, recreation and healthcare facilities, employment opportunities. Describe the general character of the neighborhood, including age, condition and type of housing stock, development activity, and any other major uses. Provide demographic information—median income, major employers, major institutions, etc.*

21-25 Kennedy St. NW is located in the Manor Park Neighborhood in Ward 4. Business has remained fairly solid in Ward 4, thanks to concerted efforts to revive Georgia Avenue as the backbone of the District and to promote development near Metro stations.

The neighborhood is largely residential, occupied by attached, semi-detached and row houses. It is intersected by a commercial corridor that follows Kennedy Street from East to West. The neighborhood is served by small and medium sized businesses which line the main corridor and other big box stores within a few driving minutes. There are parks, schools, universities, churches, and employment centers within a mile radius of the main business corridor.

The area is approximately 75% Black, 25% combined White, Hispanic, Other races. The average adjusted gross income for zip code 20011 is approximately \$38,445. This is above the 2009 Poverty Guidelines income of \$22,050 for a family of 4.

### **Site Description**

*Describe the site or sites: location - the neighborhood, cross streets, and addresses, visibility within neighborhood; significant features, topography, prior uses, etc.; physical status—size of parcel (in square footage or acreage as appropriate) and type of property (vacant land, vacant building, occupied building, etc.); type of improvements—materials, condition, number of existing units; current ownership and status of purchase agreements, options, etc.*

The property, located at 21 Kennedy St. is one of two adjacent buildings built together in 1941. The building was renovated in 2009 from apartments into condominiums. The building was in original condition with only minor upgrades before renovations began. 21 Kennedy Street N.W has an approximate total square footage of 35,000 square feet.

The property sits on Kennedy St. in the last Western corner of the neighborhood just walking distance from the DC / MD line.

There are several transportation options to the property's residents. The property sits is within an eight (8) minute walk from the Fort Totem Metro Station and within a mile of the Takoma Park Metro. There are several bus routes just steps away. Downtown Washington DC and Silver Spring, MD are within a 10 minute drive.

The site is occupied by two sister buildings occupying over 60% of the site. 21 Kennedy St. is a 22 unit mostly vacant condominium development. Two of the units have been purchased by the Cooperative and are being occupied by current coop members.

Several and fire/EMS stations are located in the surrounding area; the building lies within the Police 4th District, Police Service Area 403.

### **Development Team**

*Who will be the contact person at the organization to coordinate the work?*

- *Developer—If different from sponsor, summarize qualifications and experience with projects of similar size, type, and financing.*
- *Development Partners— If different from sponsor, summarize qualifications and experience with projects of similar size, type, and financing.*
- *General Contractor—Explain qualifications of the selected or anticipated contractor, including age of firm. If not yet selected, explain the selection process—competitive bid, negotiation, RFP, etc.*
- *Architect—Experience and qualifications of the design firm. Specifically describe relevant project experience.*
- *Property Management—Qualifications, number of properties and units managed, number and type of staff, nonprofit or for-profit company, where based.*
- *Consultant(s)—If used, explain qualifications and experience, as well as the role this individual or firm will play in the project.*
- *Construction Manager—as applicable*

Judy Meima, Director of Multi-family Program will

Judy Meima, Multi-Family Program Director, will provide oversight for the Kennedy Street projects. Meima joined Mi Casa in 2003 as Tenant Purchase Program Coordinator, becoming Director of Multi-family Programs in 2004. She brought more than 20 years of experience in community organizing and housing and community development. As executive director of the Statewide Housing Coalition in Illinois, her accomplishments included creating a technical assistance program for community-based affordable housing developers. Meima's work on behalf of low-income populations has included positions with a grassroots community organization, housing development organization, and economic development technical assistance center.

Juan Pablo – Marketing and Asset management –

Juan Pablo Vacatello joined Mi Casa in 2006. A native of Argentina, Vacatello came to the Washington, DC area after completing his degree in Business Administration at the University of Buenos Aires. He has put his knowledge and skills to work on behalf of

low-income populations, helping them to access opportunities in housing, education, and other sectors of society.

EJF will serve as Property manager for this project –

EJF Real Estate Services is a progressive real estate agency offering a genuinely personal level of service, while at the same time delivering the highest standard of professional real estate service and expertise. EJF's focus is on residential property management services and real estate sales within the Washington, DC metropolitan area. For more than twenty years, our success as an 'independent' real estate agency has been built on the personal referral of business from past satisfied clients, associations, tenants and landlords. EJF is an active member of the Greater Capitol Area Association of Realtors, National Association of Realtors, and National Association of Residential Property Managers, Community Association Institute and the DC Preservation League. EJF's professionally qualified and highly motivated personnel enable us to guarantee a constantly high standard of personal real estate service.

EJF Real Estate Services traces its origins to the 1920's when Edmund J. Flynn introduced the concept of housing cooperatives to Washington, DC. Since then, the Edmund J. Flynn Company has established itself as the DC industry leader in all areas of cooperative home ownership. In 1996, the Flynn Company's real estate and property management departments branched off to form a separate company. Choosing to honor the connection with its parent company, this new business became EJF Real Estate Services, Inc. The Edmund J. Flynn Company was the pioneering force behind many of the area's premiere cooperative and condominium associations, directly involved in the development or conversion of many of Washington's finest buildings. Today, the Flynn Company serves the DC area through its settlement and transfer services and maintains the ownership records for hundreds of cooperative associations.

For this development, we propose a rental model with a primary goal to make operations and management an integral part of the development process and ensure all operations and management procedures support the developments green, and affordability goals.

Our development team has many years' experience working with multi-family residential buildings to oversee effective management and operations, and establishing management goals, in order to ensure long-term housing quality and financial stability. We also have experience working with established management companies, many of which specialize in working with affordable housing operations. The development team will retain asset management responsibilities to ensure the development remains true to the original development scope and intent, employing a professional management company as needed to manage the day-to-day operations and accounting for the building. We are committed to long term oversight of management and will provide on going technical assistance to maintain fiscal and operational stability.

## **Supportive Services**

*Describe the supportive services to be provided to tenants or homebuyers at the property, and state who will provide those services. If outside entities will be used, please describe their qualifications briefly.*

Supportive services will not be needed at this project. Mi Casa will work with the property management to provide referrals to community service providers as needed.

## **Market Overview**

*Define the market area; discuss vacancy and absorption rates, average rents or sales prices; explain the specific need for the project. Describe evidence of the demand by the targeted population for this type of project. What income level and household size will the project target?*

The feasibility of our proposal is supported by the strong rental market conditions currently and foreseeable in the District led by strong absorption rates and product shortage. Additionally, construction starts remain well below the long term quarterly average. The vacancy rate also remains lower than any metro region in the nation hovering between 3% and 4%. In 2011, annual net absorption set a new record primarily due to a surge in Class B apartments.

We intend to maximize the number of housing choices by offering studios, one, and two bedroom units and serve a variety of incomes between 30% and 60% AMI. The building was converted a Class C building into a high quality Class B at lower market rates. Currently the submarket supports \$900 - \$1,400 a month for units of a lower quality. We will offer rental units from \$540 to \$1,360 for incomes ranging from 30% to 60% AMI.

There is a high level of development projects in this particular section of the neighborhood that were never completed. The buildings sit vacant; some of them partially renovated. There are three vacant buildings clustered within the block, just a few feet of each other. There are approximately 60 vacant units within a block creating a significant down pressure on the submarket and weighing down any possible stabilization of this neighborhood.

Mi Casa believes that by purchasing these vacant, developed units we may help stabilize the neighborhood, reduce the amount of vacant properties in the City, and provide much needed affordable housing to future residents. We are confident that if the property is converted into a rental building, it will be quickly occupied and stabilized. Incidentally, as we have undergone marketing of these condominium units, we have received numerous inquiries about renting the units. Given the location and fabric of this neighborhood, absorption is expected to be at a rate of four units per month.

## **Project Financing**

*For each phase of financing listed below, identify and discuss the status of all anticipated funding sources. If possible, identify participants; dates of commitment letters, application deadlines, anticipated award dates, etc.*

**Permanent Acquisition:**

Mi Casa, Inc. has acquired a letter of interest from United Bank to provide and permanent financing for the development. United Bank will be in first position with a very low estimated loan to value ratio

**Subsidy:**

The subsidy requested in this proposal will fill the projected equity gap in order to make the development financially feasible and provide the level off affordability desired by Mi Casa and the surrounding neighborhood.

**Equity:**

Mi Casa will provide equity in the amount of \$197,690. The primary source of this equity is an NSP2 grant from which Mi Casa has committed \$150,000.

Mi Casa will also defer part of our development fee until full occupancy and building stabilization. At that time the development fee will be paid from cash flow.

**Development Budget and Operating Pro-forma:**

*While the actual spreadsheets will be attached as exhibits to the project proposal package, in this section, discuss the assumptions used in the spreadsheets (for example: interest rates, income and expense escalation factors, projected subsidies, affordability, etc).*

Interest rate – 6%

Term – 20 years

Escalation factor – 3%

Vacancy rate – 5%

Subsidy - \$75,000 per unit

**Project Risk:**

*What are the perceived risks: borrower, project, collateral?*

21 Kennedy NW is fully rehabbed so there are no risks related to the project being completed on time and on budget.

All risks of the project relate to marketing and operations. Mi Casa has sought to minimize those risks by:

- Being very conservative in our assumptions as noted above.
- Designing a project that is feasible with rents at or below the market for that neighborhood.
- Establishing a strong asset management ability over the past six years.

**Collateral Position:**

*Describe the collateral and collateral position to secure the loan. Who owns the collateral? Is the collateral assignable? What liens currently exist on it? Has the title been checked with real property office or tax records office? Is the land or property encumbered?*

Mi Casa will own the building which will be collateral for financing for the project. The title has been checked within the last 6 months and there are no liens or encumbrances on it..

**Project Timeline:**

*Identify the major milestones involved in moving this project forward and in repaying the loan. Use a chart similar to the one below (add or delete rows as necessary). Include milestones already achieved. Be sure to show anticipated loan commitment dates, loan repayment dates, project start and completion dates.*

Event:      Date:  
\_\_\_\_\_  
\_\_\_\_\_

Proposal Submission	August 1	2011
Announcement of award	August 26	2011
Submit full application to United Bank	August 27	2011
Execute property management agreement	September 7	2011
Establish Marketing plan	September 15	2011
Term Sheet from United Bank	September 30	2011
DHCD Funds obligated	October 7	2011
Begin Marketing	October 10	2011
Commitment from United Bank	October 15	2011
Due diligence and conditions precedent complete	November 15	2011
Closing and settlement	November 20	2011
Full occupancy	March 1	2012
Building stabilization	June 1	2012
		2011

**Importance:**

*Discuss the importance of the transaction to the sponsoring organization, the District, and lender, and the strategic importance to the neighborhood. How will the residents benefit from the project? What role has the community played in developing the project or project concept?*

By acquiring these vacant units and converting to affordable rentals, the building will be quickly stabilized and occupied by new neighborhood residents. This will bring an additional 20 families to the neighborhood, thus increasing demand for goods and services. Additionally, we will have reduced the number of completed, vacant units in the District thus reducing the down pressure in this submarket.

Consequently, we will have helped the Unity Cooperative successfully complete the redevelopment of their sister buildings, which has been an arduous process for the last five, plus years. Additionally we will have helped, Mercy Loan Fund recapture a



substantial portion of its loan thus insuring their ability to loan to other mission-based practitioners.

For the past 13 years, Mi Casa has been highly successful at developing quality affordable housing particularly for low and moderate-income families. Mi Casa draws upon its significant relationships citywide to broadly market its properties. This strategy has proven to be far more successful than relying solely on the traditional avenues of real estate marketing (realtors, newspaper ads, etc).