

# 21-25 Kennedy St. NW

## Project Summary

2011



### **Background**

The project is composed of two sister buildings located at 21-25 Kennedy Street N.W. The buildings were constructed approximately in 1940 with an approximate total square footage of 71,200 square feet.

The residents of 21-25 Kennedy received a notice of sale in 2005. With the technical assistance of Mi Casa, Inc. their development consultant, they formed Unity Cooperative and purchased the two properties through the Tenant Opportunity to Purchase Act on August 14, 2006. The Cooperative decided that given the range of age and income of residents a combination of ownership options would best serve the residents' needs. The original development plan would be to convert one building to condominiums which would target low to moderate income buyers and one building would be renovated as a limited equity cooperative.

### **Development Update**

With the help of Mi Casa, the tenants secured an acquisition and construction loan from a mission based lender, Mercy Loan Fund (MLF) in August 2008. The loan covered the acquisition takeout of the first lender for both buildings, and construction on the condominium rehabilitation. The proceeds of the condominium sales were to help the Co-op fill the funding gap for the cooperative renovation.

The full renovation of 21 Kennedy Street was completed in December 2009. The unit count was reduced from 27 to 22 units to accommodate for larger two bedroom units. The building was developed into for-sale workforce and affordable housing condominium 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. Two units were renovated to include accessibility features and are currently owned by the Cooperative.

An unfortunate and uncontrollable set of circumstances lead the Co-op to default on the loan. Because of the fall in the real estate market the condominium units had to be marketed well below the prices established at underwriting. Aggressive marketing initiatives were conducted with no real success. Additionally, because mortgage financing for low income families has virtually dried up, it has been impossible to sell the units and they have continued to sit vacant since the completion of the rehabilitation. Currently two of the units are owned and occupied by the cooperative.

With the assistance of Mi Casa the Cooperative negotiated a forbearance agreement with MLF averting an impending foreclosure. Currently the project is governed by a forbearance and workout agreement between Unity, Mi Casa and the existing lenders Mercy Housing and Open Door. 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.

As part of the plan, Mi Casa, as part of a national consortium lead by National Association for Latino Community Asset Builders (NALCAB), applied for and received a grant from NSP II to assist the Cooperative in completing the redevelopment of their building. A portion of these funds were used to allow the Co-op to acquire 25 Kennedy St., thus paying off part of the loan, and the remaining funds will be used to renovate the Cooperative building. The Cooperative also applied for, and has 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.

Once the rehabilitation of their building is complete, the Cooperative will look to secure a permanent amortizing loan. Part of the permanent loan will payoff an additional portion of the MLF loan further stabilizing the cooperative property. The Cooperative has secured rent subsidies from the DCHA which will allow them to charge market carrying charges while providing affordable housing to their current residents.

As part of the comprehensive plan needed to successfully complete the development plan, Mi Casa offered to purchase the remaining 20 condominium units at 21 Kennedy St. and operate it as affordable rental housing. Mi Casa believes that by purchasing the already completed condominium project we may help stabilize the neighborhood, reduce the amount of vacant properties on that street, and provide much needed affordable housing to future residents.

Mi Casa will use a mix of funding sources to acquire the condominiums. We have applied for and received a commitment from DHCD, are in the process of will securing a senior private loan from a local lender and will provide an equity contribution towards the acquisition.

The units will be affordable to households under 60% of AMI with 75% of these affordable to households under 50% of median. We will preserve the affordability for the long term and add to the affordable housing stock of the District.