

# Coalition for Smarter Growth

## Making the Numbers Work: How Affordable Housing is Financed in DC

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April 20, 2023

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Administers affordable housing and community development programs in the District

## Three strategic objectives:

- Producing and preserving the supply of quality affordable housing;
- Increasing homeownership opportunities; and
- Revitalizing neighborhoods, promoting community development, and providing economic opportunities

## ***Mission***

Provide timely and compliant gap-financing for the preservation and production of affordable housing (5+ units).

## ***Core Underwriting Principle***

### **DHCD is a gap financing lender**

Applicants must demonstrate that they have pursued and secured all other feasible funding sources before applying for DHCD funds.

## ***What is the key problem that affordable housing financing is solving?***

Value of project after completion less than cost to construct/rehab

- Consolidated Request for Proposals
  - Local and federal resources for affordable housing
  - Most recent: 2021 Consolidated RFP
- RFP is aligned with the Low Income Housing Tax Credit (LIHTC) Qualified Allocation Plan
  - Most recent: 2023 Draft QAP

# RFP Sources – *Subsidies/Funds for Development Costs*

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## Local Funding

- Housing Production Trust Fund (HPTF)
- Department of Behavioral Health (DBH)
- DOEE/DHCD BEPS Compliance Fund - *New in 2021*
- DC Low Income Housing Tax Credit (LIHTC) - *New in 2022*

## Federal Funding

- HOME Investment Partnerships Program (HOME)
- Community Development Block Grant (CDBG)
- 9% Low Income Housing Tax Credits (LIHTC)
- National Housing Trust Fund (HTF)
- Section 108 Guaranteed Loan Funds
- Housing Opportunities for Persons with AIDS (HOPWA)
- DCHFA Tax Exempt Bonds / 4% LIHTC – separate from RFP, but important source - *competitive as of 2023*

## **Operating Subsidy (DCHA)**

- Local Rent Supplement Program (LRSP)
- Annual Contributions Contract (ACC) (public housing operating subsidy)

## **Social Services (DHS/DBH)**

- Case Management Supportive Services Funds
- DBH provided services for DBH-funded units

# 2021 RFP Threshold – All projects must meet:



THRESHOLD ELIGIBILITY REQUIREMENTS	Applicable?	
<i>Project Criteria</i>		
Project Eligibility and Certifications	✓	✓
Permanent Supportive Housing	✓	NA
Site Control	✓	✓
Entitlements and Development Review	✓	✓
<i>Financial Criteria</i>		
Development Budget and Operating Proforma	✓	✓
Acquisition Cost Reasonableness	✓	✓
Financing Letters of Interest, Intent, or Commitment	✓	✓
Financial Information for Operational Projects	NA	✓
<i>Applicant Criteria</i>		
Development Team Thresholds	✓	✓
<i>Reports and Plans</i>		
Appraisal	✓	✓
Market Study and Market Demand Analysis	✓	✓
Environmental Site and Physical Needs Assessments	✓	✓
Architectural Plans and Cost Estimates	✓	✓
<i>Compliance Criteria</i>		
Green Design and Building	✓	✓
Relocation and Anti-Displacement Strategy	✓	✓

# 2021 Consolidated RFP – Evaluation Criteria



	Potential Weight
<b>Project Readiness and Past Performance</b>	<b>-25</b>
Error-Free Submission	-10
Readiness to Proceed	-4
Compliance with DHCD Cost and Funding Guidelines	-5
Past Performance	-6
<b>Inclusive and Equitable Housing</b>	<b>Max 25</b>
Permanent Supportive Housing	10
Family-Oriented Units	10
Programs to Address Additional Barriers to Housing	5
Housing for Seniors and People with Disabilities	5
Provision of Wealth-Building Opportunities	5
Income Levels Served	7
Section 8 and Public Housing Waiting Lists	1
<b>Place-Based Priorities</b>	<b>Max 25</b>
Affordable Housing Opportunities Across Planning Areas	25
Proximity to Transit and Neighborhood Amenities	15
Preference for Projects with District Land	10
<b>Maximizing the Impact of DHCD Resources</b>	<b>Max 25</b>
TOPA, DOPA, Housing Preservation Fund, and/or SAFI	5
Risk of Loss of Affordability in the Near Term (NOAH or Covenanted)	5
Mixed-Income	10
Affordability Period Restriction	10
Non-Profit Participation and Right of First Refusal	5
Maximizing Density	5
Leverage	12
<b>Innovative and Community-Oriented Features or Programming</b>	<b>Max 25</b>
Resilient Buildings and Innovative Design	15
Resident Services and Community-Oriented Amenities	25
Workforce Development and Certified Business Enterprise Participation	10





# DHCD Underwriting Principle + Process

**DHCD is a gap financing lender.** Applicants must demonstrate that they have pursued and secured all other feasible funding sources before applying for DHCD funds.

Project Selected for  
Further Underwriting   
Loan Review Committee

- Development budget, application materials, commitments from lenders/investors scrutinized
- Compliance review to confirm project meets local and federal requirements
- Project presented to DHCD Loan Review Committee for recommendation to Director

DHCD Loan Review  
Committee  
Recommendation   
Council Approval

- DHCD loan and subsidy documents drafted
- ANC Notice issued
- Submission to Council for approval (loans over \$1 million)

Council Approval   
Project Financial Closing

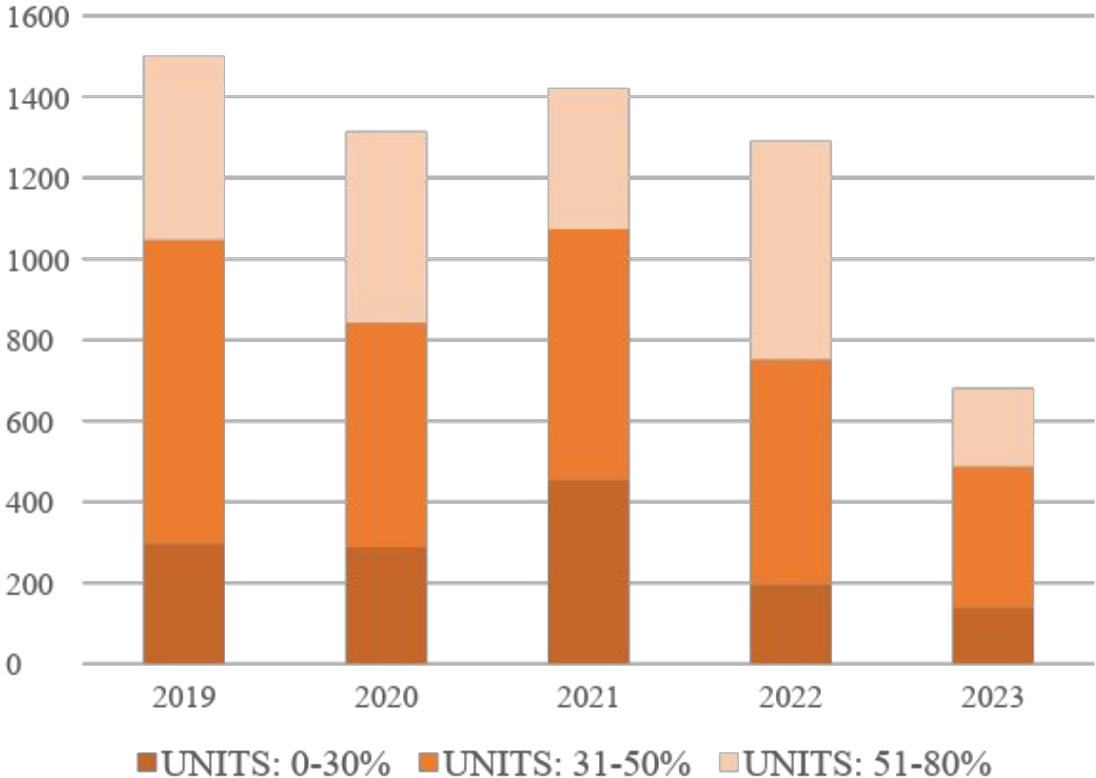
- Legal documents finalized
- Completion of Conditions Precedent to Closing Checklist
- Final documents executed + closing funds delivered
- Project begins construction

# 6,200 Affordable Housing Units Funded FY19 to Date



- 1,375 units at 30% MFI
- 2,825 units at 50% MFI
- 68% of units funded at or below 50% MFI

Affordable Units Closed by Fiscal Year



# Majority of Selected Projects Commit to Perpetual Affordability

Affordability Commitment by RFP Selections

