

Maintaining Economic Diversity and Affordability

A Strategy for Preserving Affordable Rental
Housing in the District of Columbia

DC Preservation Network
Preservation Strategy Working Group

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WHAT IS DCPN: *The DC Preservation Network (DCPN) is a collaborative effort to preserve existing assisted affordable rental housing in the District of Columbia, co-convened by the Coalition for Nonprofit Housing and Economic Development (CNHED) and The Urban Institute's NeighborhoodInfo DC. Participants in the Network include housing counseling organizations, legal services providers, affordable housing developers, the U.S. Department of Housing and Urban Development, and DC government agencies, including the Department of Housing and Community Development, DC Housing Finance Agency, DC Housing Authority and the Office of Tenant Advocate. The Network maintains a database of approximately 35,000 assisted affordable rental units and meets monthly to review those properties that may be at risk of losing affordability.*

The conclusions reached and recommendations made in this report represent the views of the members of the DCPN Preservation Strategy Working Group listed below, and not necessarily those of the aforementioned government agencies or other Network members who participate in monthly meetings of the DC Preservation Network.

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Maintaining Economic Diversity and Affordability

A Strategy for Preserving Affordable Rental Housing in the District of Columbia

Executive Summary

The District of Columbia lacks a formal policy and strategy for preserving existing affordable rental housing. This paper, drafted by members of the DCPN Preservation Strategy Working Group (listed on the inside of the front cover) is intended to address that need.

The conclusions reached and recommendations made represent the views of members of the Working Group and not necessarily those of the aforementioned government agencies or other Network members who participate in monthly meetings of the DC Preservation Network. Our recommendations in brief are as follows:

Preservation Policy: The District of Columbia recognizes that to maintain and increase affordable housing options for residents it must preserve existing affordable housing in addition to creating more affordable units. Thus, it will strive to preserve wherever possible and practicable the affordability and sustainability of its existing affordable housing stock. To do so it should dedicate substantial additional funding to preservation and adopt goals and criteria for allocating resources to achieve this objective.

Preservation Goals:

- Preserve existing District and federal subsidized housing, including public housing
- Prevent displacement of residents with low and moderate incomes
- Preserve housing that serves vulnerable populations such as persons who have disabilities, or are formerly homeless, low income seniors or returning citizens
- Maintain diversity in neighborhoods
- Maintain the stock of market rate affordable rental housing

Preservation Criteria: The District should use the following 1st tier criteria for determining the types of affordable rental housing that should be preserved:

- | | |
|---|---|
| * federally funded with rent or operating subsidy | * serves very low-income residents |
| * meets the needs of vulnerable population | * needed to maintain economic diversity |
| * near DC funded economic development projects | * near transit |

If projects rank similarly under 1st tier criteria, 2nd tier criteria should be used to prioritize assistance.

*current low rent levels *a high probability of being lost * low cost per unit to preserve

Preservation Methods and Tools: DC's preservation strategy should include a variety of approaches for preserving privately owned and publicly owned subsidized housing and privately owned affordable unsubsidized housing. Methods and tools are spelled out in the following preservation strategy paper.

Preservation Implementation:

- The District should create a Preservation Team made up of top officials from District housing agencies, Office of Planning, Department of Consumer and Regulatory Affairs, Office of the Deputy Mayor for Planning and Economic Development, and a representative from the DC Preservation Network to develop protocols for preserving affordable housing. An Action Team of operating staff from the above agencies and offices should be charged with implementation.
- The Department of Housing and Community Development should designate a senior staff person to support the work of the Preservation Team, coordinate preservation efforts across agency lines, and act as the liaison to the DC Preservation Network.
- The DC Preservation Network should continue to monitor affordable rental properties and alert officials, agencies, and Network participants about at-risk projects.

Maintaining Economic Diversity and Affordability

A Strategy for Preserving Affordable Rental Housing in the District of Columbia

The District of Columbia has experienced significant economic growth over the last decade that has led to a significant jump in population and housing costs. While this growth has led to many positive developments for DC, it has also led to a significant loss of low-cost housing, as it created financial incentives for owners of subsidized- and market-affordable housing to opt-out of keeping their buildings affordable, raise rents, or sell. Without a clear strategy to preserve currently affordable housing, DC will lose cost-effective opportunities to maintain mixed-income, diverse neighborhoods across the city.

The increasing pace of development and the rapid loss of subsidized, rent-stabilized and market-affordable units in all parts of the city suggest a need for a more coordinated and proactive strategy for the preservation of affordable housing. This report lays out a recommended policy for affordable housing preservation, strategies to prioritize preservation, and specific tools and resources needed to address the growing challenges facing households with low and moderate incomes in DC.

DC's Affordable Housing is Disappearing

Over the last decade, DC has lost 50 percent of its low-cost housing units, largely due to rising housing prices.¹ In addition, rising demand for rental housing by new DC residents has outstripped supply at most income levels, which has further contributed to an increase in rents for market rate housing. This continued demand – far above DC's current production – will make it harder for the lowest income households who struggle to find housing in an increasingly tight market.

The number of DC households who are severely rent burdened has risen significantly. One in five DC households now pay more than half of their income towards rent.² For families with low and moderate incomes this means that they have little left over each month for other basic necessities like clothing, transportation and food. It also makes them more likely to be one job loss or illness away from homelessness.

New construction of affordable housing has not kept pace with demand. Nationally, about 300,000 units were built annually in the mid-1970's; today, it's just 75,000 units a year.³ In DC, new residential construction averaged fewer than 400 units per year between 1990 and 2001 but since then has accelerated to almost 3,000 units per year.⁴ Nevertheless, new housing units are being snapped up as quickly as they are put on the market because the increased supply has not yet caught up to the elevated demand. As a result, housing costs for most renters and homebuyers continue to rise. To avoid losing further ground, DC must not only increase production of affordable housing but proactively work to preserve the housing that is currently affordable to help meet the demand.

Another factor putting pressure on the rental housing market is the aging housing stock. Almost half of the multifamily rental housing in DC (48 percent) is more than 50 years old.⁵ Older housing stock typically does not command top market rents. At the same time they require more maintenance and

¹ Reed, Jenny. "Disappearing Act: Affordable Housing in DC is Vanishing Amid Sharply Rising Housing Costs," DC Fiscal Policy Institute, May 2012, available at: <http://www.dcfpi.org/disappearing-act-affordable-housing-in-dc-is-vanishing-amid-sharply-rising-housing-costs>

² Reed, Jenny (*Ibid*)

³ U.S. Department of Housing and Urban Development, "Preserving Affordable Rental Housing: A Snapshot of Growing Need, Current Threats and Innovative Solutions," Evidence Matters (Summer 2013). Available at:

<http://www.huduser.org/portal/periodicals/em/summer13/highlight1.html>

⁴ Analysis of DC real property data by NeighborhoodInfo DC.

⁵ U.S. Census Bureau, 2013 American Community Survey.

eventually major rehabilitation. This in turn can lead to an owner wanting to sell, rehab and raise rents substantially, or possibly defer maintenance to reduce the cost of operation in the short term. The District has also lost affordable housing from expiring subsidies, conversion of affordable rental units to market rate condominiums and property sales to new owners. From 2006 to 2014, DC lost at least 1,000 units of subsidized housing, and another 1,750 units are currently being tracked by the DC Preservation Network as at risk of being lost. Further there are 13,700 additional units with subsidies that will expire by 2020 and are at possible risk of loss.⁶

Why Preservation?

Preservation of affordable housing has many benefits. According to the US Department of Housing and Urban Development those benefits include cost-effectiveness and the ability to let people stay in the communities that they have been part of for some time. For example, preservation can at times cost just half to two-thirds what new construction costs, and rehabilitation that involves energy efficient upgrades can help save money for tenants, the government and private owners.⁷ In many instances, existing affordable housing is the result of earlier government investments, and it can be cost-effective to preserve housing that taxpayers have already paid to build.⁸ Lastly, existing units of affordable and subsidized housing have the comparative advantage that, while they may need rehabilitation, they may already have operating subsidies to reach very low incomes and have site control.

Preservation Save: The Gregory - 840 Barnaby Street, SE

This story reflects how a collaborative and intentional effort by DC agencies working with community organizations, tenants and management can prevent the loss of housing with long term affordability requirements.

The Gregory provides 124 families an affordable place to live near the DC/Maryland border in southeast DC. However, the building was almost lost due to poor housing conditions, management issues, and lack of coordination among several DC agencies.

In June 2010, the DC Preservation Network was alerted that the property was at risk for loss. There were poor housing conditions that left many units uninhabitable. Many units were vacant and issues with the management of the building kept these problems from being addressed. Failed inspections meant that the DC Housing Authority (DCHA) had to stop paying the landlord for the project-based vouchers that were connected with the building. DC Housing Finance Agency (HFA), DCHA and the Department of Housing and Community Development (DHCD) were all involved in the building, but all looking at different options for the building's future.

The Latino Economic Development Center began organizing the tenants, some of whom were facing immediate displacement because the non-payment of vouchers due to failed inspections caused them to have overdue back rent. The efforts of the Preservation Network led to DCHFA, DCHA, and DHCD working out a coordinated plan to preserve the affordable building. That plan included finding a new asset and property manager for the building, addressing the poor living conditions, and renovating the uninhabitable units to bring in more income. The plan was a success. Today, 124 families live in safe and affordable housing at The Gregory.

⁶ Analysis of the DC Preservation Catalog, DC Preservation Network, available here:
<http://www.neighborhoodinfodc.org/dcpreservationcatalog/>

⁷ U.S Department of Housing and Urban Development (2013)
⁸ U.S Department of Housing and Urban Development (2013)

The District has many tools to address the need for preservation of affordable rental housing. These tools, such as the Housing Production Trust Fund, First Right Purchase Program, Low Income Housing Tax Credits, and rent stabilization have been used successfully to preserve housing in changing neighborhoods such as Columbia Heights, Shaw, and the Southwest Waterfront. While there have been some very important successes, the lack of a coordinated, proactive policy for preservation has led to many missed opportunities for preservation, resulting in the loss of housing affordability through sale, opt out, or condominium conversion.

An Affordable Housing Preservation Strategy for the District

The increasing pace of development and the rapid loss of low-cost and subsidized affordable housing suggest a need for a more coordinated proactive strategy for the preservation of affordable housing. This report contains a policy for affordable housing preservation, criteria for how to prioritize preservation, and specific methods and tools needed for DC to adopt and implement an affordable housing preservation strategy.

The District currently lacks a policy around the preservation of affordable housing. A policy is important because it dictates the guiding principles that DC will use to implement the policy. We recommend that DC adopt the following preservation policy:

Preservation Policy: The District of Columbia recognizes that to maintain and increase affordable housing options for residents it must preserve existing affordable housing in addition to creating more affordable units. Thus, it will strive to preserve wherever possible and practicable the affordability and sustainability of its existing affordable housing stock. To do so it should dedicate substantial additional funding to preservation and adopt goals and criteria for allocating resources to achieve this objective.

The District's preservation policy should be carried out through a preservation strategy that sets forth goals and criteria to use in prioritizing decisions as to where and when public resources should be used to preserve affordable rental housing, and preservation methods and tools. The strategy should call for government agencies and other parties to collaborate on preservation efforts and for the appointment of a senior city official to ensure coordination of preservation efforts.

The preservation goals should help guide the development of the criteria to determine which affordable housing should be prioritized for preservation and what methods and tools DC should use to carry out the preservation strategy. We recommend that DC adopt the following goals for preservation of affordable rental housing:

Preservation Goals

- Preserve existing District and federal subsidized housing, including public housing
- Prevent displacement of residents with low and moderate incomes
- Preserve housing that serves vulnerable populations such as persons who have disabilities, or are formerly homeless, low income seniors or returning citizens
- Maintain diversity in neighborhoods – economic, race/ethnicity, and age
- Maintain the stock of market rate affordable rental housing

Preservation Criteria

The District should adopt a system to help prioritize what affordable housing should be preserved. Given that no two affordable housing developments are alike in all ways, the following criteria should be used to make decisions about which affordable housing should become a top priority for preservation. The criteria are split into two tiers; tier 1 is the criteria to be used to determine which projects rise as a

Preservation Loss: Elsinore Courtyards – 5330 E Street, SE

This is a story that reflects the need for a more collaborative and intentional effort by the District across agency lines to prevent the loss of housing with long term affordability requirements.

Elsinore Courtyards, located at 5330 E Street, SE in the Marshall Heights neighborhood, is an apartment complex of 13 three story garden style buildings that houses 152 families. In 2003 the DC Housing Finance Agency (DCHFA) provided tax-exempt bond financing for the acquisition and rehabilitation of the then 40-year-old building, intended to upgrade and retain 100 percent of the units for families earning less than 50 percent of the area median income.

In 2010, with the project in default, HUD mortgage insurance paid off the bondholders, and DCHFA then sought to recoup the approximately \$5 million which it owed HUD under a risk-sharing agreement. Tenants were very concerned about the potential loss of affordability and engaged housing counseling and legal assistance from nonprofit providers to assist them. Despite the tenants' efforts the property was sold at auction in the fall of 2012, without any affordability requirements, in order to cover as much of the cost of default as quickly as possible.

priority. Tier 2 criteria to help decide between projects that may be similar in most ways under tier 1 criteria.

First Tier Considerations for When to Act to Preserve Affordable Rental Housing

The following criteria should be used to prioritize affordable housing preservation:

- **Preservation of Affordable Housing with Federally Funded Rent or Operating Subsidies.** Preservation of project based Section 8 multi-family rental buildings (over 10,000 units) and other properties receiving ongoing federal subsidies, including public housing (about 8,000 units), should be a high priority. These privately and publicly owned properties have affordable rents, subsidized by annual appropriations from the federal government, at no expense to DC.

In project based subsidized buildings, residents typically pay no more than 30 percent of their household income as rent to the landlord and the U. S. Department of Housing and Urban Development (HUD) pays the remainder of a predetermined “fair market rent.” Landlords enter into contracts with HUD to provide Project Based Section 8 housing. Many of these projects can be at risk of losing affordability due to the end of use restrictions from maturation or prepayment of federally assisted mortgages, failure of a property to be maintained up to HUD mandated housing quality standards, or owners opting out of the program upon expiration of their project based Section 8 contract. Public housing residents also pay no more than 30 percent of their household income for rent, and HUD provides operating subsidy to the public housing authority that is intended to, but does not fully, cover operating cost not covered by rents.

- **Preservation of Affordable Housing for Residents With Very Low Income.** DC residents with very low income face the greatest challenges finding an affordable place to live. Therefore, DC should prioritize preservation of affordable rental housing for its lowest income households, or those making less than 30 percent of the area median income (which is \$32,000 a year for a family of four).

With housing costs rising and incomes staying flat, lower income residents are most likely to have severe housing burdens, meaning they spend more than 50 percent of their income on housing. In fact, the typical very low-income household in DC (a household making roughly \$32,000 a year for a family of four) pays more than two thirds of their income on housing costs alone.⁹ This makes it harder for them to afford other basic necessities –like food and clothing—and makes them more likely to be one job loss or illness away from homelessness.

- **Preservation of Affordable Housing that Serves Vulnerable Populations.** Many vulnerable groups of residents have a much harder time finding affordable housing. Preserving affordable housing that would allow these vulnerable populations to remain housed should be an important criteria for the District. These include seniors who may be living on low fixed incomes, persons with disabilities who may require certain accommodations and returning citizens with criminal records. Because of difficulty with mobility, limited incomes, and discrimination, these residents often have a harder time finding affordable housing and can also be particularly vulnerable to homelessness.
- **Preservation of Affordable Housing that Would Maintain Economic Diversity.** Economic diversity of neighborhoods should be an important goal for DC in order to provide residents of all income levels access to neighborhoods with amenities, transportation and jobs. But too often, as neighborhoods develop, economic diversity is significantly reduced and low-income residents are not able to access many neighborhoods. For example, in 2000, nearly two-thirds of DC's census tracts had median rents less than \$800 a month.¹⁰ In the 2006-2010 year American Communities Survey sample, less than one in four census tracts had median rents less than \$800 a month. With DC becoming an increasingly economically segregated city, preservation of affordable housing that will help maintain economic diversity in neighborhoods should be prioritized.
- **Preservation of Affordable Housing Near DC Funded Economic Development Projects.** Publicly funded economic development projects, such as the Nationals Baseball Stadium or DC Streetcar network, lead to a significant increase in housing prices located nearby. Therefore, DC should prioritize preservation of affordable housing that is located within a half mile of publicly funded economic development projects.

District-backed redevelopment has played a catalytic role in neighborhoods across the city. However, this change has put long-term renters, particularly those with low incomes, at risk of displacement. Rents have increased for the formerly market-rate affordable rental units, and owners of subsidized buildings have opted out of Section 8 and other contracts as the value of land increases. Preserving affordable housing near new developments is particularly crucial in areas with high concentrations of existing market and subsidized affordability such as the Buzzard Point, St. Elizabeth's, and H Street redevelopments. When public funds are being used to bring economic development or redevelopment to a neighborhood, public funds should also be used to help ensure that residents of all income levels in the neighborhood can take advantage of the new amenities.

⁹ Reed, Jenny. "Disappearing Act: Affordable Housing in DC is Vanishing Amid Sharply Rising Housing Costs," DC Fiscal Policy Institute, May 2012, available at: <http://www.dcfpi.org/disappearing-act-affordable-housing-in-dc-is-vanishing-amid-sharply-rising-housing-costs>

¹⁰ DC Fiscal Policy Institute analysis of American Community Survey Data

- **Preservation of Affordable Housing Near Transit.** Preserving affordable housing near transit allows low-income families to keep their housing and transportation costs low and provides them access to amenity rich, livable neighborhoods with access to jobs. Therefore, DC should prioritize affordable housing preservation that is located within a half mile of a Metro station, or a quarter mile of a Metrobus priority corridor or streetcar line. One of the largest monthly expenses for families after housing is transportation. In DC and many other cities, access to livable areas—areas that provide access to transportation, jobs, and amenities—is more and more desirable. This in turn drives up housing costs, particularly near public transit access. As a result, families with lower incomes are forced to move farther from these transit oriented areas, and also away from jobs and neighborhood amenities. This causes them to face long and expensive commutes to work and makes it harder for them to get to work each day.

Preservation Save: Portner Place – 1440 V Street, NW

This is a story of how tenants working with a counseling organization, effective legal representation and a mission driven housing developer can preserve their affordable homes even when major redevelopment occurs.

Portner Place currently provides homes to 48 families with very low incomes in the heart of the U Street Corridor. This affordable housing could have been lost when tenants learned that the owner planned to sell the building; but instead the tenants made use of the first right of purchase afforded them by the Tenant Opportunity to Purchase Act and worked with a developer to buy and rebuild the units.

In June 2012, the tenants of Portner Place were notified that the owner planned to sell the property. All Portner Place units are subsidized under a project-based Section 8 contract with the U.S. Department of Housing and Urban Development. If the building had been lost, not only would DC lose federal affordable housing subsidy, but 48 families with very low incomes would have had great difficulty finding a new place to live in a high-cost neighborhood. The tenant association, working with Housing Counseling Services (HCS), retained a lawyer and exercised their rights as tenants to find a mission-driven developer who would buy and maintain the property as affordable housing.

Construction has not yet begun, but in the end, the current site will have two buildings. One will be comprised of about 100 family-oriented apartments, forty-eight of which will be replacement units for the 48 families with very low incomes currently living at Portner Place. The remaining 52 apartment will be funded with Low Income Housing Tax Credits from the DC Department of Housing and Community Development and will be affordable to households with incomes at 60 percent of area median income. The other building will house approximately 200 market rate apartments. The plan will allow all 48 very low-income families to continue living in the amenity-rich, transit-rich U Street corridor.

Second Tier Considerations for When to Act to Preserve Affordable Rental Housing

The following criteria should be used when projects rank similarly on the first criteria and DC needs to prioritize between two or more projects:

- **Preservation of Affordable Housing that Currently Has Low Rent Levels.** The District has lost over a third of its very affordable market rate rental housing over the past decade. This increasingly scarce resource should be preserved whenever possible. The number of low-cost rental units — with monthly rent and utility costs affordable to households below 50 percent of

area median income — fell from 116,200 to 75,200 over the last decade. Meanwhile the number of rental units with costs affordable to households over 80 percent of area median income more than tripled. The number of low-cost homes — affordable to first-time homebuyers at or below 80 percent of area median income — fell from 37,900 in 2000 to just 19,400 in 2009-11, while the number of homes affordable to homebuyers over 120 percent of area median income increased by two thirds.¹¹ When a building has rents at or near the low-cost level, DC should make preservation of that building a priority.

- **Preservation of Affordable Housing that has a High Probability of Loss.** The District government should also consider how likely it is that affordability will be lost if no action is taken, and prioritize preserving affordable housing that is at greater risk of being lost. The District should also consider whether a property that loses its affordability will be covered by rent stabilization going forward, and what baseline rents will be as a result.
- **Preservation of Affordable Housing that has a Low Per Unit Cost.** Once priorities have been established as to the type and beneficiaries of housing to be preserved, other factors, such as the cost per unit of preservation, should be taken into account. Preservation of certain projects, such as Low Income Housing Tax Credit projects in their extended use periods, may only require re-subordination of DC debt to facilitate refinancing. Tax abatements or exemptions can also help reduce the need for added subsidy in maintaining affordability. Cost per unit should not be given highest priority, however, because that could result in housing being preserved only in the lowest cost, low-income neighborhoods where there is already a high concentration of affordable housing, and could prioritize production of housing that served higher income households that require less subsidy. Factors such as bedroom size, proximity of housing to transportation and the accessibility needs of the population that is housed all have an impact on the cost per unit. These variables as well as others must be taken into account when using cost per unit in comparing the merits of projects. A matrix of factors should be used in evaluating housing projects, with allowances for cost variances based on those factors.

Preservation Methods and Tools

The District's preservation strategy should include a variety of approaches to implementation. The strategy should be utilized to preserve affordability, livability, and sustainability in privately and publicly owned housing; subsidized and un-subsidized housing; and in rent-regulated and non-regulated housing. Following are some of the methods and tools needed to carry out the strategy.

- **Preserve privately owned subsidized affordable housing:**
 - **Acquisition and Renovation Funding:** Increase local funding for the Housing Production Trust Fund to at least \$100 million per year and for the project/sponsor based Local Rent Supplement Program as primary sources of capital and operating subsidy for preservation. Maximize the use of federal resources including Low Income Housing Tax Credits, Community Development Block Grant, tax-exempt bonds and other sources to fund acquisition and renovation of properties.
 - **Leveraged Loan Fund:** Implement the Department of Housing and Community Development's (DHCD's) proposed loan fund for predevelopment and acquisition financing, including a special emphasis on preservation, leveraging private capital, and delegated, expedited underwriting by participating lenders.
 - **Maintain/Replace Affordable Units One-for-one:** Aim to, at minimum, maintain the same configuration of affordable units in projects where buildings are being preserved

¹¹ Analysis of American Community Survey and U.S. Department of Housing and Urban Development data by NeighborhoodInfo DC.

- and at least replace one-for-one the affordable units in redevelopment projects where additional density is requested through the PUD (Planned Unit Development) process.
- **Incentives to Extend Affordability:** Establish a program of incentives for affordable housing providers to extend periods of affordability in exchange for property tax abatements, favorable refinancing or other benefits. Those incentives should have a set dollar amount that is budgeted annually through DC's appropriations process.
 - **Opt Out Legislation:** Adopt and put to immediate use legislation that will give DC the right to purchase upon an owner opting out of a project based Section 8 contract or other federal subsidy programs.
 - **TOPA and DOPA:** Increase and set aside funding annually for TOPA (Tenant Opportunity to Purchase Act) and DOPA (District Opportunity to Purchase Act) to acquire affordable properties that are offered for sale. Issue regulations for DOPA without further delay.
 - **Asset Management:** Strengthen asset management monitoring and technical assistance to affordable housing owners and operators where needed by the Department of Housing and Community Development (DHCD) and the DC Housing Finance Agency (DCHFA).
 - **Federal Preservation Initiatives:** Utilize federal preservation policies and programs such as RAD (Rental Assistance Demonstration), Section 8 transfer authority and others when complementary to District strategies and resources for preservation.
 - **Housing Database:** Maintain and monitor a comprehensive database of all housing that is currently affordable and alert responsible parties when properties are at risk.
 - **Proactive Outreach:** Pro-actively reach out to owners of subsidized housing well in advance of the expiration of subsidy contracts or the end date for loans in order to determine their future intentions and explore options for preservation.
 - **Housing Counseling and Legal Services:** Increase support for housing counseling and legal services for tenants in assisting them to preserve housing quality and continued affordability.

[Preservation Loss: 1204 Talbert Street Apartments – 1204 Talbert Street, SE](#)

This is a story that reflects the need for proactive information sharing on risks to affordable housing across city agencies and community partners.

1204 Talbert Street, SE was a 29 unit moderate rehabilitation project administered by the DC Housing Authority (DCHA). DCHA terminated its assistance contract with the property in fall 2010 as a result of repeated breaches of contract by the owner, primarily non-compliance with housing quality standards (HQS). The owner initially expressed interest in keeping families currently living there in place using vouchers, but later decided to convert the property to condominiums. Tenants were issued vouchers and had 180 days to use them, either at this property or elsewhere, but the affordability of the units was lost.

While the Preservation Network regularly tracks HUD Real Estate Assessment Center (REAC) inspection data from HUD, inspections for moderate rehabilitation projects are tracked separately through the HQS system. As a result, the Network was unaware of the housing quality problems at this property until events were too far along to make preservation efforts feasible. The HUD Housing Assistance Payment (HAP) contract was terminated before the sale took place, so there was limited opportunity for intervention to organize tenants or work with the owner to resolve HQS issues. As a result of this experience, the Preservation Network worked with DCHA to gain information on HQS issues at moderate rehabilitation properties so that there would be more possibility of working with DCHA, tenants, and owners to preserve affordable units and prevent displacement.

- **Preserve privately owned unsubsidized housing:**
 - **Acquisition and Renovation Funding:** Increase local funding for the Housing Production Trust Fund to at least \$100 million per year and for the project/sponsor based Local Rent Supplement Program as primary sources of capital and operating subsidy for preservation. Maximize the use of federal resources including Low Income Housing Tax Credits, Community Development Block Grant, -exempt bonds, and other sources to fund acquisition and renovation of properties.
 - **Leveraged Loan Fund:** Implement DHCD's proposed loan fund for predevelopment and acquisition financing, with a special emphasis on preservation, leveraging private capital, and delegated, expedited underwriting by participating lenders.
 - **Rent Control:** Maintain rent stabilization and explore ways of strengthening it, particularly for those who live on fixed incomes.
 - **TOPA and DOPA:** Increase and set aside funding annually for TOPA (Tenant Opportunity to Purchase Act) and DOPA (District Opportunity to Purchase Act) to acquire market rate affordable rental properties. Issue regulations for DOPA without further delay.
 - **Low Cost Financing:** Develop an apartment assistance program to provide low cost financing for renovations and energy retrofits to owners who agree to maintain affordable rents.
 - **Code Enforcement:** Enhance DCRA's proactive code enforcement to ensure that properties are adequately maintained.
 - **Building Repair:** Adequately fund and prioritize the use of the District's Building Repair Fund to address serious Housing Code violations that owners have not remedied.
 - **Receivership:** Strengthen and utilize DC's receivership law to address deferred building maintenance or failure to pay utility bills.
 - **Housing Database:** Maintain and monitor a comprehensive and publicly accessible database of all housing that is currently affordable, including properties subject to rent control, and alert responsible parties when properties are at risk.
 - **Housing Counseling and Legal Services:** Increase support for housing counseling and legal services for tenants in assisting them to preserve housing quality and continued affordability.
- **Preserve public housing:**
 - **One-for-one Replacement:** Continue to ensure one-for-one replacement for all public housing units undergoing redevelopment with assurances to current residents that they can return.
 - **Use All ACC Authority:** Fully utilize Annual Contributions Contract (ACC) authority – the operating subsidy for public housing - in order to maximize the number of public housing units authorized by the U.S. Department of Housing and Urban Development.
 - **Housing Quality:** Maintain housing quality standards in all public housing units.
 - **Permanent Affordability:** Maintain permanent affordability of all public housing units including those undergoing redevelopment.
 - **Restore Vacant Units:** Promptly make repairs and return vacant units that are not imminently slated for redevelopment to service.
 - **Modernize and Upgrade:** Apply for all available capital financing from HUD and other sources to modernize and upgrade public housing properties.

Preservation Implementation

The District will implement its preservation strategy under the direction of the Mayor. The Mayor will issue directives to ensure oversight and coordination of a unified approach to preservation. This should include:

- Creation of a Preservation Team made up of top officials from DC housing agencies including Department of Housing and Community Development, DC Housing Authority, DC Housing Finance Agency, Office of the Tenant Advocate, Department of Consumer and Regulatory Affairs, Office of the Deputy Mayor for Planning and Economic Development and a representative of the DC Preservation Network (DCPN) to address preservation opportunities on a timely basis that will convene at least quarterly to review progress made and adjust preservation strategy to current conditions. The Preservation Team should establish protocols to be followed in evaluating preservation opportunities and taking action to preserve affordability. An Action Team of operating staff should be charged with implementation based on these protocols.
- The Department of Housing and Community Development should designate a senior executive level staff person to support the work of the Preservation Team, coordinate preservation efforts across agency lines, and to serve as the chief policy analyst and advocate for preservation in DC Government. This position should serve as the liaison to the DC Preservation Network and attend its monthly meetings.
- The DC Preservation Network should continue to monitor affordable rental properties and alert officials, agencies, and Network participants about at-risk projects. Because housing counselors and legal services providers who work with and represent tenants, federal and DC agencies, housing providers, policy analysts, advocates and others all participate in DCPN, it should serve as the early warning system for preservation challenges and opportunities as well as engage key players in preservation efforts.

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