

DC Housing Authority

Capital Needs and Maintenance Review



Capital Needs Overview

The District of Columbia Housing Authority is responsible for providing safe, affordable housing for the District's low-income population – including seniors, disabled, families with children, and veterans. For several years running, the U.S. Department of Housing and Urban Development and Congress have undercapitalized housing agencies in the nation, including DC Housing Authority. This agency receives only about 83 percent to 86 percent of what is required to maintain the residential properties. The District is not alone. Public housing is home to 1.2 million households nationwide with a total of \$26 billion in deferred maintenance.

While some national leaders do not seem to understand the seriousness of this situation, we do. These units – the homes of more than 8,300 District families, must be preserved.

Of the 261,192 households in the District in 2013, about 18 percent of them were living below poverty level, according to U.S. Census data. But D.C. has a barely six percent vacancy rate for nearly 156,000 apartments. And nearly eight percent of renters receive housing assistance from DCHA in for the form of public housing or rent subsidies.

DCHA owns, manages, or subsidizes more than 8,300 of these affordable units and is dedicated to preserving and enhancing its entire housing stock. A portion of those units recently were rehabilitated and are not in need of immediate redevelopment. However, DCHA is pursuing a large scale effort to bring the remainder of its inventory to a 20-year viability and we are moving aggressively to re-engineer sites that are in our redevelopment pipeline. This effort will require approximately \$1.3 billion in additional capital funding.

Of the over 8,300 units we subsidize, almost 1,800 are part of a redeveloped community or were recently rehabbed, and are not in immediate need of modernization. The remaining units, just over 6,500, are located in our family and senior/disabled conventional sites.

Property type	# of units
Redeveloped or recently rehabbed units	1,831
Senior/Disabled Properties requiring major rehabilitation	2,083
Family/mixed population requiring major rehabilitation	4,449
Total Units	8,363

Rehabilitation and Redevelopment

There is no cookie cutter plan that can be applied to all sites. Rather, the approach for any site needs to take into consideration the local and federal funding available, the debt and equity that the site can bare, and the ability of the site to contribute to wider community needs such as more affordable workforce housing, market rate housing, homeownership options, and commercial amenities. And, very importantly, we need the voice and input of the residents and core stakeholders. DCHA has been working aggressively on its redevelopment and modernization pipeline, but with a process that is sensitive to resident concerns and the desire of the wider community for input.

The current redevelopment pipeline, consisting of 1,584 units¹, will require \$366,700,000 in funding to complete. Planning is already underway at these sites with resident engagement, resource mapping as well as efforts to secure financing for the various phases of development. DCHA is committed to continuing its work with families, stakeholders and financial institutions to find the needed resources to complete these projects.

Some of our Senior / Mixed-Population sites have already undergone some level of rehabilitation, whether through energy efficiency initiatives or building systems upgrades and renovations. The capital needs are still significant, however, in order to bring all buildings to a 20-year viability, i.e. all major systems and features to be upgraded to like new conditions so that only ordinary maintenance is needed over the next 20 years (new roofs, kitchen, windows, mechanical, electric systems). The estimated cost of redeveloping the 2,083 units for senior / disabled population is \$346,970,000.

The family sites that are not already in the development pipeline, totaling over 2,800 units, will require significant investment and planning to ensure long term viability. DCHA has completed a preliminary review of each site and have developed an estimate for the cost of simple rehabilitation to 20 year viability versus cost of major redevelopment as outlined below. The development tools that will be explored in this effort include federal and local resources

	Units	Estimated Cost of Redevelopment
Development Projects in pipeline	1,584	\$366,700,000
Senior / Disabled Properties	2,083	\$346,970,000
Family Sites	2,865	\$628,600,000
Total	6,532	\$1,342,270,000

¹ Sites included in the development pipeline are: Barry Farm, Kenilworth, Park Morton, Highland Dwellings, Lincoln Heights, Richardson Dwellings, Sursum Corda, Wade Apartments.

Planning Process

DCHA values the input of its clients, our residents, and community stakeholders. This input informs the scale of investment and the opportunities available to further impact the site with new amenities and improved safety features. The planning process is organized to maximize the engagement and participation of public housing and community residents and as well as key stakeholders. DCHA will reach out widely in its effort to engage as many community stakeholders as possible with a focus on the many aspects of planning including housing, human capital, health and education, community engagement, employment, safety, and recreation.

The final determination will be based on community input, a deeper analysis of debt and equity the project can bare, and the vision that is developed with the help and guidance from its current residents. The development tools that DCHA will explore to meet these needs include both local and federal resources.

DCHA has already begun or completed planning processes at Barry Farm, Kenilworth Courts, Park Morton, Highland Dwellings, and Lincoln Heights. We have begun community engagement at our southwest properties, particularly Greenleaf. Planning efforts will be initiated at additional family sites during 2015.

Development Tools Available to DCHA

Funding Source: Federal

Choice Neighborhoods Initiative – a HUD-funded grant program to revitalize severely distressed public and assisted housing as well as the social revitalization of the families in the neighborhood. The Choice Neighborhoods Initiative has three core areas of focus: People, Housing and Neighborhood. Improving the educational achievements of the entire family is a focus of the program - working with individual family members from cradle to college and career.

Replacement Housing Factor Funds (RHFF) – RHFF are Capital Fund Grants that are awarded to public housing authorities for the sole purpose of developing new public housing units. The Capital Fund formula rule at 24 CFR 905.10(i) provides that a PHA may receive RHF grants for public housing units *demolished or sold* that have not already been funded for replacement public housing units under public housing development, Major Reconstruction of Obsolete Public Housing (MROP), HOPE VI, or any other programs that would otherwise provide replacement housing.

Rental Assistance Demonstration (RAD) – The Rental Assistance Demonstration (RAD) allows proven financing tools to be applied to at-risk public and assisted housing and has two components:

- 1st Component - Allows Public Housing and Moderate Rehabilitation (Mod Rehab) properties to convert, under a competition limited to 60,000 units, to long-term Section 8 rental assistance contracts; and
- 2nd Component - Allows Rent Supplement, Rental Assistance Payment (RAP), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance.

RAD is a central part of the Department's rental housing preservation strategy, which works to preserve the nation's stock of deeply affordable rental housing, promote efficiency within and among HUD programs, and build strong, stable communities.

Funding Source: Local

Housing Production Trust Fund (HPTF) - Money generated by the District government by designating that a portion of deed recordation and transfer tax revenues flow to this fund to provide capital and operating subsidy to affordable housing developments. (See www.dhcd.dc.gov for more information on HPTF.)

HOME Investment Partnerships Program (HOME) - provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Community Development Block Grant funds (CDBG) - Formula based Federal funds provided to state governments and certain large cities and counties for specific eligible public improvements. Smaller cities get their funds through their state government. DC gets CDBG funds directly from the Federal government. Certain infrastructure costs can be funded with CDBG funds but not direct housing construction costs.

Capital Improvement Program (CIP) - The purpose of the Capital Improvement Plan (CIP) is to forecast and match projected revenues and capital needs over a (5)-year period. Long range capital planning is an important management tool that strengthens the linkages between community infrastructure needs and the financial capacity of the City.

Funding Source: Equity

Low Income Housing Tax Credit Program (LIHTC) - The LIHTC Program is an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. LIHTC was enacted by Congress to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents.

Historic Tax Credits: Private equity for use in the rehabilitation of buildings determined to be historic. The money is raised from private investors who are allowed to reduce their Federal tax liability if they provide equity for the preservation of eligible properties.

Tax Exempt Bond Financing: When bonds are issued by an eligible entity, such as DCHA, DC Housing Finance Agency, or the District of Columbia government, the purchaser of such bonds does not have to pay Federal income taxes on the interest that they earn, and are, in some cases, also exempt from State income tax. As a result, these bonds carry a somewhat lower interest rate than taxable bonds or conventional mortgages. The tax exempt bond interest rate determines the interest rate paid by the user of the bond proceeds (e.g. affordable housing developers).

Ongoing Maintenance

As DCHA continues to work with residents, stakeholders and community partners on the redevelopment options for each site, DCHA's property management operations division is responsible for the regular maintenance and management of all of DCHA's conventional public housing communities. The Operations division staff includes property management, maintenance foreman, mechanics, laborers and skilled trades. Property Management Operations focuses their attention on preventative maintenance as well as abatement and repair of units as needed.

Preventative maintenance efforts include inspections of dwelling units for housekeeping and unit conditions as well as comprehensive pest management. In an effort to prevent systemic infestation, DCHA also partners with agencies such as Department of Health and Department of the Environment to conduct walkthroughs, training workshops or develop mitigation plans for any issues that may arise in a unit or community

Preventative Maintenance

- **Uniform Physical Conditions Standard (UPCS)** - Maintenance workers perform annual UPCS inspections as part of our preventative maintenance program. Inspections are performed October – June each year by maintenance staff to review unit conditions, note deficiencies and make necessary repairs.
- **Housekeeping Inspections** - Property management staff perform yearly housekeeping inspections in an effort to identify potential health and safety concerns related to food storage, cleanliness, hoarding, and other conditions that may result in damages beyond normal wear and tear or exacerbate pest/vermin infestation. Housekeeping Inspections are conducted annually from January – September.

- **Pest Control** – DCHA contracts with pest management providers to treats all units at least twice a year. On call services are also available for acute infestation of a unit or building.

Enhancing peace and security is also a priority for operations. Maintaining adequate interior and exterior lighting, common area maintenance engaging the youth and families through community partners and organizations, our overall commitment to improving conditions for low-income families who live in the District of Columbia, DCHA's job is complex, but rewarding.

Next Steps

As a provider of affordable housing, we own, manage, and subsidize over 8,300 units of affordable housing for low to moderate income households. These units house many of the city's lowest income families. This housing stock is a precious resource and one that we are invested in preserving and enhancing.

During 2015, DCHA will:

1. Continue to advance our existing redevelopment pipeline
2. Conduct precise engineering assessments of each public housing site that is not yet in the development pipeline in preparation for the planning process
3. Engage the community to discuss findings and then create, in close collaboration with residents, the community and stakeholders, a repositioning plan