

DCHFA Housing Investment Platform
Single Family Investment Fund
OVERVIEW
NCSHA - OCTOBER 2018



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I. DC Housing Market Background

Background: State of DC Housing Market

Washington, DC is experiencing an economic resurgence...

Single-Family Home Prices in DC Rose Fourfold in 25 Years

Home Price Watch: Prices Shoot Up 33% in Trinidad

More on why buying your first home in the DC region is so hard

Jobs coming to DC, but more housing needed

Millennials starting families will likely struggle to find affordable housing near schools, transit, and jobs in DC

From 2010 to 2017 net migration into DC was greater than that of 31 states

Background: Impacts of A Changing Housing Market

Population and income growth combined with limited housing production has led to rapidly increasing home prices in the District

% ch 2010 – 2016¹

Population: **↑12.7%**
 Housing Units: **↑ 5.7%**
 Occupied Housing Units: **↑ 7.5%**

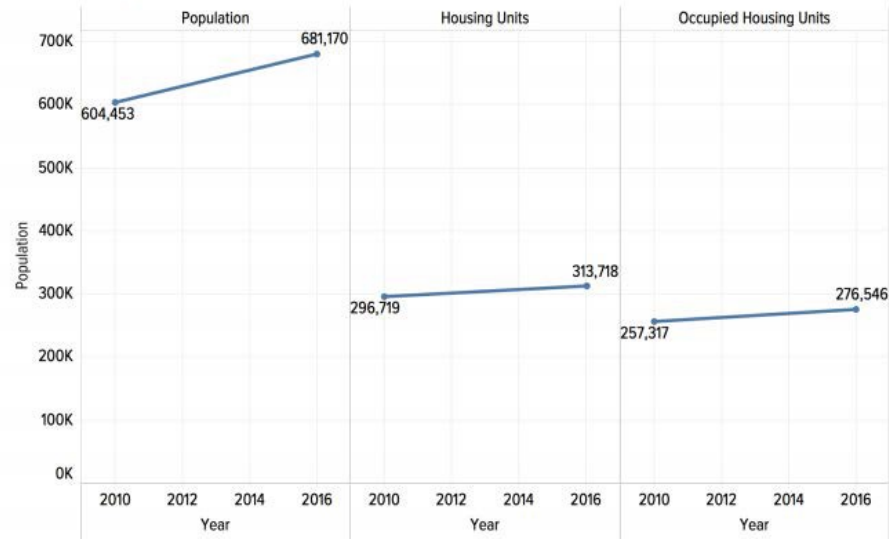
Per capita income²

(DC): **\$77,642**

Per capita income (US): **51,410**

FIGURE 2 – CHANGE IN POPULATION, HOUSING UNITS, AND OCCUPIED HOUSING UNITS

Growth in Population, Housing Units, and Occupied Housing Units, 2010 to 2016



Source: US Census Bureau Annual Estimates of Housing Units, available at <https://factfinder.census.gov/tables/tableservices/frames/productview.xhtml?src=CF>.

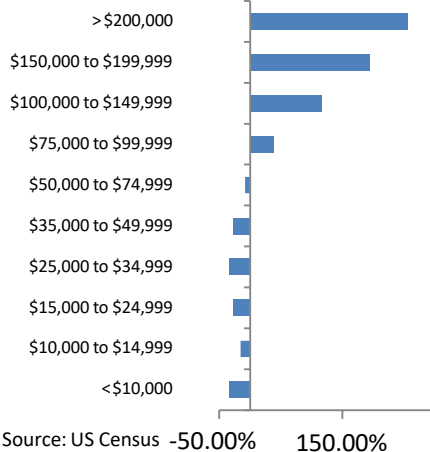


Average Price of Single Family Unit Sold in DC (FY17)³: **\$824,857**

DC starter home housing stock⁴: **16,900**

Percent affordable to family making median income⁴: **28%**

Percentage Change in Households 2000-2015



Declines in federal government employment are being offset by growth in food service, professional services/technology, and education employment. Many of these jobs are high income, high skill employment and have led to a migration of talent to DC

1. US Census Bureau Annual Estimates of Housing Units
2. Bureau of Economic Analysis
3. Metropolitan Regional Information System
4. DC Policy Center "Taking Stock of District's Housing Stock"

II. HIP Overview

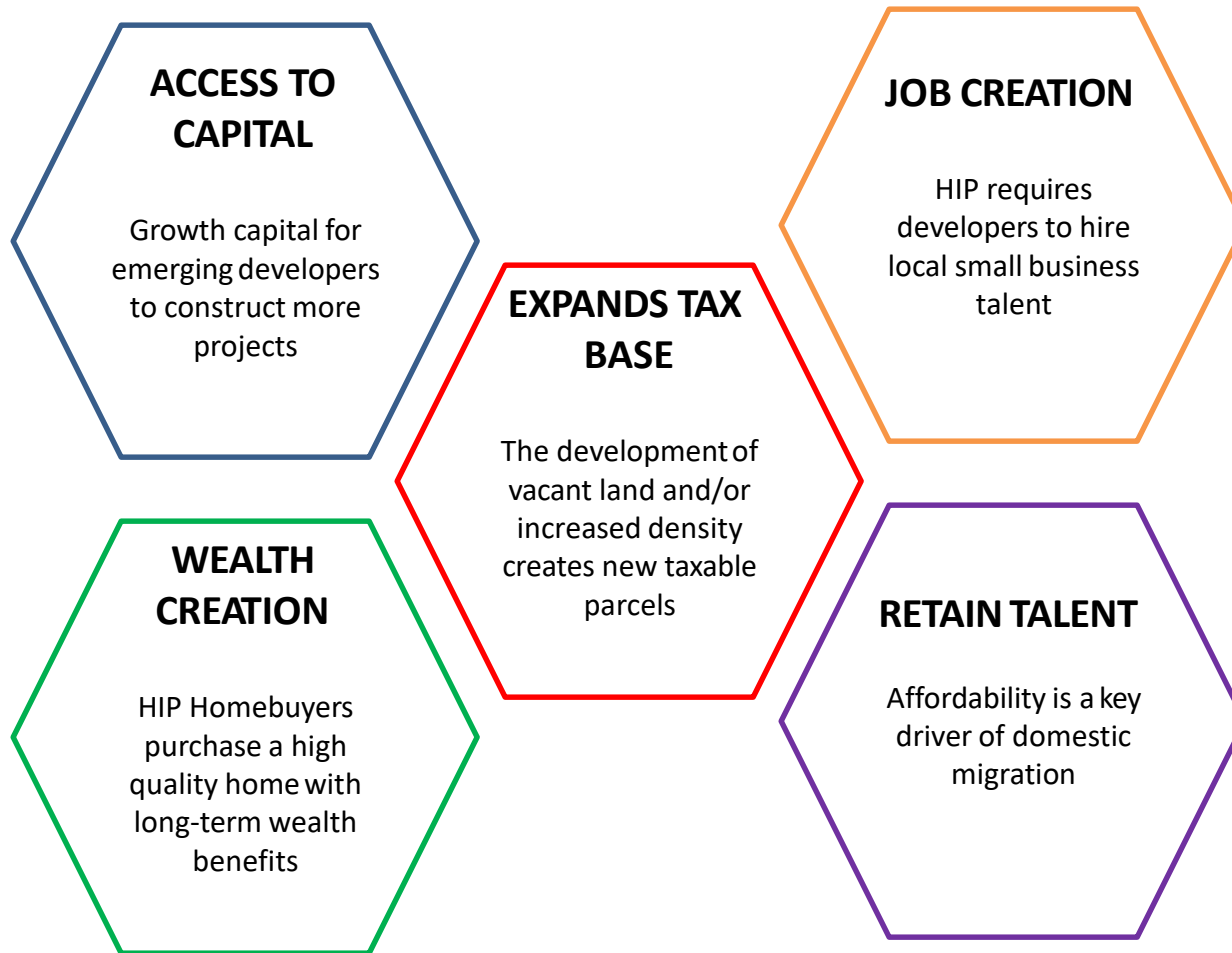
Overview: [What is HIP?](#)



- DCHFA's Housing Investment Platform (HIP) is a community development fund focused on investing in innovative solutions to the District's housing challenges
- HIP was formed in June 2017 with an initial capital commitment of \$5 million from DC Housing Finance Agency
- HIP investment activities must make a significant impact on the community **and** achieve a reasonable return on investment
- In August 2017, HIP launched the Single Family Investment Fund with the groundbreaking of five (5) townhomes in the Anacostia neighborhood of Washington DC

Overview: Single Family Investment Fund

HIP co-invests with emerging developers to build and sell workforce housing to households earning up to 120% of Median Family Income



Overview: Investment Strategy

HIP's Single Family Investment Fund is focused on investment opportunities that are ignored by traditional private capital due to size and lack of local market knowledge

Homebuilding

Acquisition and development of vacant land into for-sale workforce housing units

Urban Infill & Development

Locations with good access to employment and transit that are in the path of major development

Public-Private Partnerships

Development of underutilized city-owned parcels into for-sale workforce housing units

III. HIP Single Family Investment Fund Structure

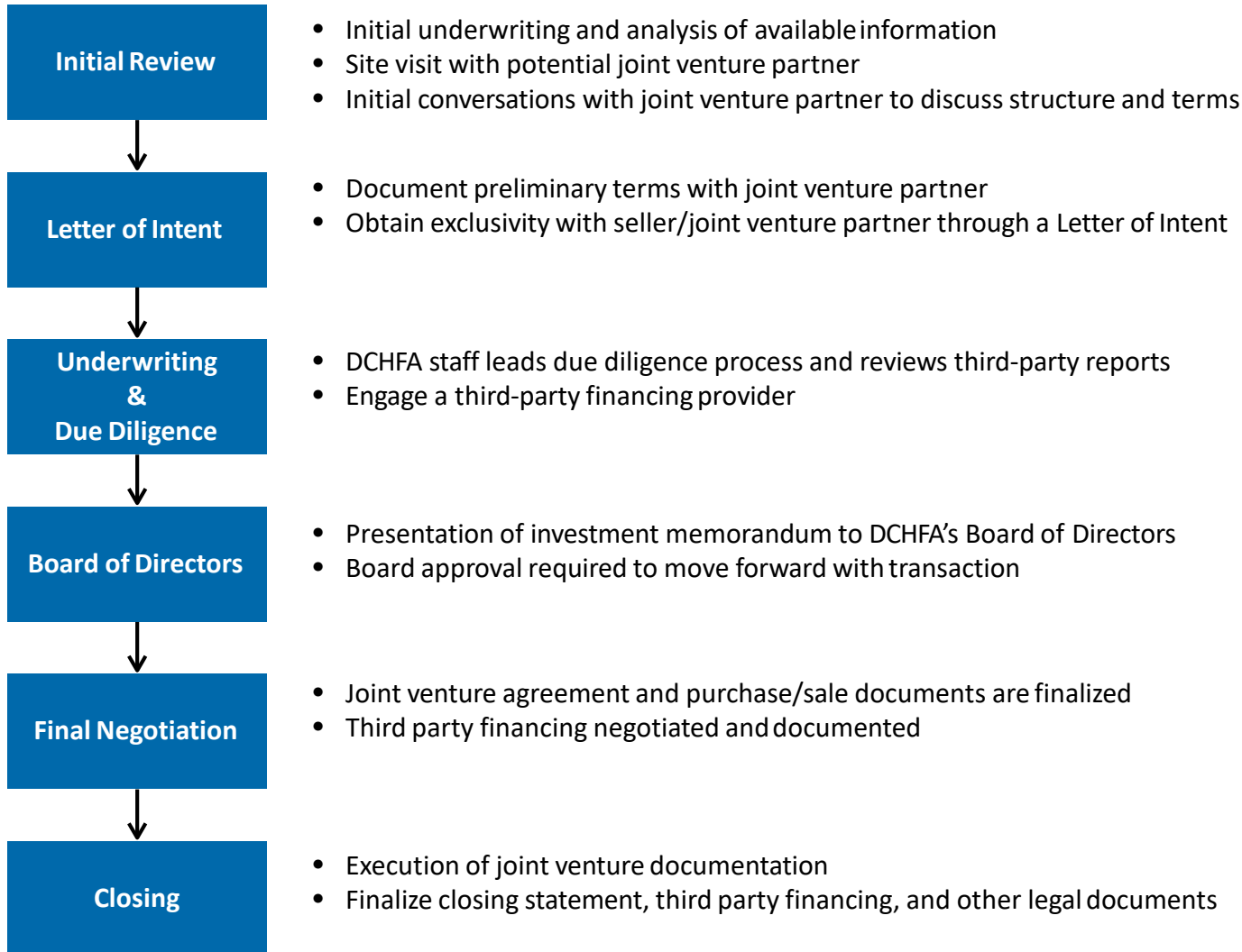
Structure: Ideal Partner

As an equity partner, HIP looks for the following key attributes in potential partners:

- Strong emerging partners
- Demonstrated track record of development in the District
- Prior ground-up development experience
- Market knowledge
- Community support for a development proposal
- A sound marketing and exit strategy
- Evidence of site control



Structure: HIP Underwriting Process



Structure: Co-Investment Terms

Eligible Developers:	Local developers with market knowledge, technical expertise, and a demonstrated track record
Eligible Projects:	Single Family Homes, Townhomes, and Condos
Investment Size:	Acquisition & Construction: up to \$1 million
Return Target:	Projects are evaluated on a case-by-case basis based on the risk/return profile of the investment
Preferred Return:	Distributions will first be made pari-passu to ownership interests until the Preferred Return has been achieved. Distributions in excess of the Preferred Return will be distributed up to 80% to the Developer and 20% to HIP
Fund Position:	Limited Partner/ Non Managing Member
Governance:	HIP has consent rights over major decisions
Guarantees:	Managing Member will provide guarantee of lien free completion
Application and Placement Fee:	\$1,000 and 1% of HIP's investment commitment due upon execution of a contract
Construction Monitoring Fee:	Varies depending on the scope of the project
Affordability Requirement:	Completed projects must be affordable to households earning up to 120% of Median Family Income (MFI)
CBE Requirement:	Developer must be certified as a CBE/SBE or agree to contract 50% of the hard costs to certified CBE/SBEs
Due Diligence	Standard third-party reports required, including Appraisal and Phase I ESA

Structure: Benefits to HIP Homebuyers

HIP offers downpayment assistance to workforce families by utilizing a subordinate note to reduce the purchase price relative to current market prices



HIP Buyer Benefits

- High quality home in Washington DC
- Reduced purchase price through downpayment assistance
 - Five year note with a 0% interest rate
 - Subordinate note is fully forgiven after five years

HIP Buyer Restrictions

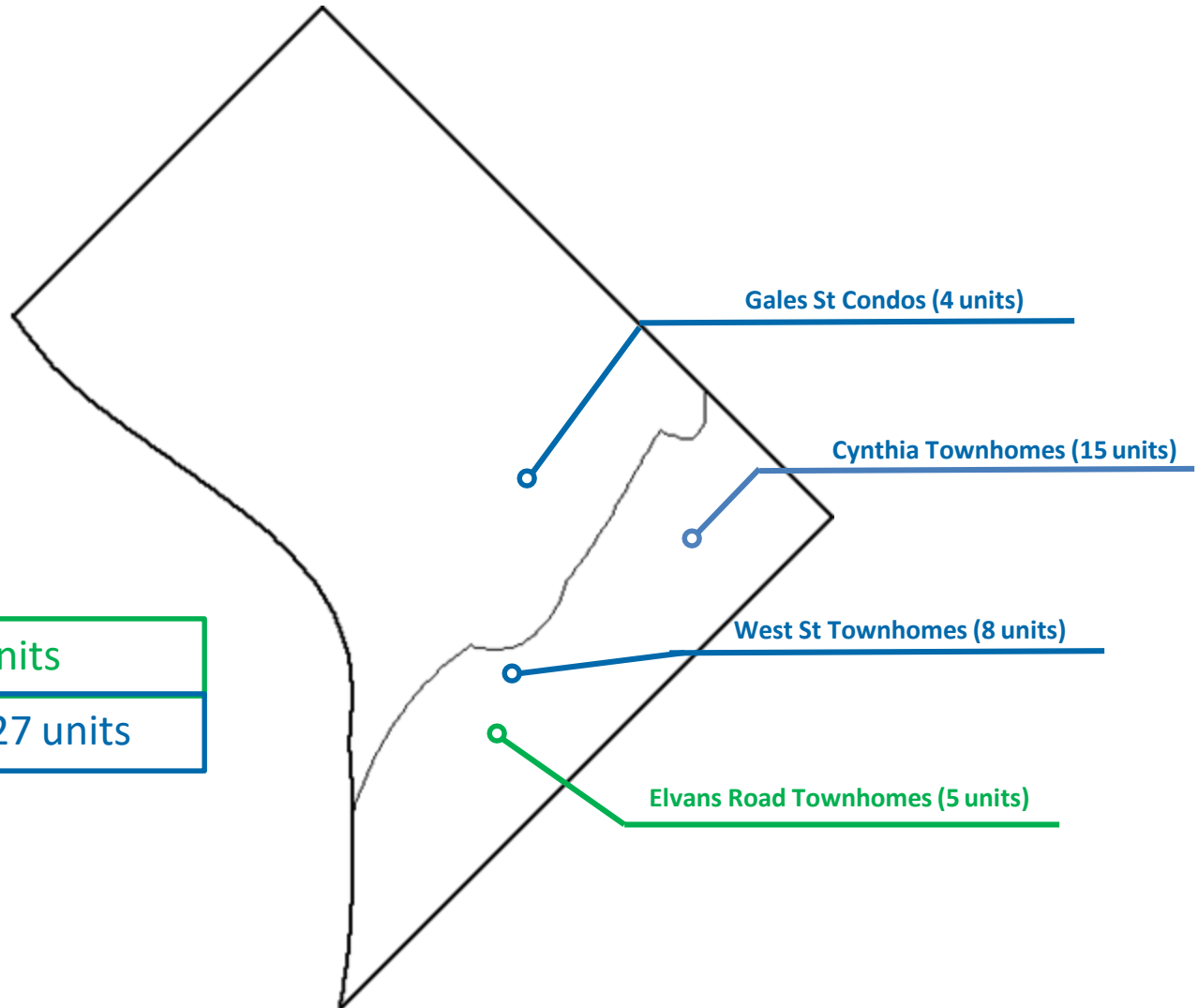
- Must have a household income of less than 120% of Median Family Income
- Must not own another home at closing
- Must maintain as primary residence for five (5) consecutive years
- If home is sold prior to five years, subordinate note is due and DCHFA receives a portion of equity above the recorded market value



IV. Recent Investments

Investments: Homebuilding Pipeline

HIP has a robust pipeline of high quality housing opportunities in production and in underwriting



Delivered: 5 units
In Development: 27 units

Investments: Project Spotlight

Elvans Road Townhomes

Elvans Road Townhomes was the inaugural investment for the Housing Investment Platform and a unique opportunity to produce 5 townhomes restricted to workforce income families

- Location: Anacostia/Barry Farm
- Development Partner: H2 Development, a Washington DC based Certified Business Enterprise and minority owned business
- HIP invested 80% of the required equity capital at below market required rates of return
- Townhomes sold in the low \$400s to households earning 70-100% MFI.
 - Purchasers included an Army veteran and a DC Public Schools teacher
- Buyers received \$20,000 in down payment assistance from reduced purchase price
- HIP and our Development Partner realized returns in excess of underwritten projections



Investments: Project Spotlight

Cynthia Townhomes

Cynthia Townhomes is a three phase development that will produce 15 townhomes for families earning workforce incomes

- Location: Marshall Heights
- Development Partner: H2 Development
- HIP invested 80% of the required equity capital at below market required rates of return
- Units were listed between \$425,000 and \$440,000 with \$20,000 of down payment assistance
- Lot hold deposits were received on all units prior to groundbreaking.
- Future Cynthia Townhomes homeowners include: a firefighter, a US military veteran, a school guidance counselor, and a teacher



Investments: [Project Spotlight](#)

Gales Street Condominiums

Gales Street Condominiums is a collaboration between DCHFA and DC Government to revitalize vacant city-owned parcels into four (4) two floor three bedroom condominium units

- HIP was selected by Mayor Muriel Bowser to develop this site into workforce housing as part of initiative to turn vacant parcel into vibrant housing
- Location: Rosedale/H Street
- Development Partner: HEP, a Washington DC based Certified Business Enterprise and minority owned business
- HEP served as a subcontractor on HIP's first project, Elvans Road Townhomes
- Anticipated sales prices in the mid \$400s
- Comparable units in this submarket retail between \$450s and low \$600s



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