

Single Family Investment Fund

District of Columbia Housing Finance Agency

Homeownership: Encouraging New Production

HFA Staff Contact

Yolanda McCutchen

ymccutchen@dchfa.org

INTRODUCTION

Washington D.C. has experienced an economic resurgence since the turn of the 21st century that has resulted in the population growing from 571,776 in 2000 to 702,445 in 2018. The District's growth has been heavily weighted towards higher income households and recent studies have shown that the city is the fastest gentrifying municipality in the United States. Our city has led the charge on creating affordable housing by allocating the highest per capita amount to the City's Housing Production Trust Fund that provides subsidy to projects for households at 60 percent of Median Family Income or below. Unfortunately, the reality of high housing costs is that the District is at the point where households in the middle are under excessive economic pressure but are unable to qualify to live in traditional affordable housing. Our middle income households are being squeezed out of the city and forced into long commutes from other municipalities.

The DC Housing Finance Agency ("DCHFA" or the "Agency") has created the [Housing Investment Platform](#) ("HIP") as our laboratory for addressing housing challenges outside of DCHFA'S traditional bonds and tax credits business lines. HIP was launched in May of 2017 and the first activity of the new



platform was a pilot investment in the creation of five workforce townhomes. HIP co-invested 80 percent of the required equity in Elvans Road Townhomes in partnership with a local minority-owned developer to produce five new 2,000 square foot three bedroom townhomes restricted to households earning up to 120 percent of Median Family Income. The project was delivered in June 2018 and the units sold in less than three days. Following

the success of our pilot program/project, DCHFA formalized its for-sale workforce housing investment activities by creating the Single Family Investment Fund ("SFIF").

INNOVATION

The Single Family Investment Fund was created as the first innovation launched under DCHFA's Housing Investment Platform to take a new approach to how housing finance agencies can solve housing challenges. The fund was seeded with a \$5 million commitment from the DCHFA Board of Directors and operates similar to private capital. DCHFA's model is to enter into joint ventures with local developers on projects and to provide equity capital at required return rates lower than traditional private equity capital. In exchange for a lower required rate of return, the Agency requires the developer to sell the units in projects it invests in at a price affordable to households earning up to 120 percent of Median Family Income. Once DCHFA's required return hurdle is met by the project, the developer receives most of the income generated by the project. This innovative approach incentivizes developers to build and sell workforce housing by allowing them to invest significantly less capital while receiving returns comparable to market returns.

REPLICABLE

The Agency’s model is replicable by any HFA or state or local government interested in investing in the production of workforce housing. SFIF is a double bottom line investment vehicle that invests in projects with economic and social returns. By focusing on for-sale workforce housing, we are able to have positive investment returns while assisting the District in the retention of middle income families.

RESPONDING TO IMPORTANT STATE HOUSING NEEDS



The District and our mayor, Muriel Bowser, have placed an emphasis on housing affordability and the production of housing for all income levels. Building off the success of our Elvans Road project, the Mayor announced a plan to disposition the remaining vacant city-owned land and selected HIP as the partner on two properties. HIP selected a developer partner for each site and is currently developing 12 new units of for-sale workforce housing. Since its initial selection on the two sites, the city has contracted with HIP on an additional three sites for future projects.

DEMONSTRATE MEASUREABLE BENEFITS TO HFA TARGET CUSTOMERS

HIP’s initial project, Elvans Road Townhomes, created five new homes that are now occupied by middle income individuals and families. The first three homebuyers were a D.C. public school teacher, a retired U.S. Army veteran, and a member of the local sports and entertainment authority. Target customers earn enough income to purchase a house but struggle to find a high-quality home in the city with a short commute to work. Additionally, homebuyers that purchase a home that DCHFA invests in receive down payment assistance through a reduced purchase price relative to current market prices in the neighborhood. Our down payment assistance allows homebuyers with qualifying incomes but lacking sufficient savings to become homeowners in the District.

PROVEN TRACK RECORD

HIP, through the SFIF, has completed and sold five units and will deliver 27 units prior to the end of 2019. HIP is currently underwriting projects with an additional 70 units for co-investment. The majority of units in the pipeline are in the southeast quadrant of the city where DCHFA’s initial development has spurred additional private economic activity. Our first project attracted additional homebuilders to projects



on the street which turned long-term vacant lots into new homeownership opportunities.

EFFECTIVE USE OF RESOURCES

The Fund was launched with a capital commitment of \$5 million from the DCHFA balance sheet and investments returns are reinvested in future projects. The projects DCHFA invest in return the initial investment capital, a preferred return, and some of the return generated by the project above the preferred return to the Agency. This model has leveraged existing infrastructure and tools within the Agency to effectively manage the fund without adding staff or additional resources.

PARTNERSHIPS



Partnerships are key to the success of our SFIF and the production of workforce housing in the District. HIP's initial projects involved the purchase of vacant private land in partnership with local developers to produce new construction homes. The Agency has worked closely with various city agencies, the DC Council, and the Mayor to increase the supply of workforce housing in the city. DCHFA's access to city-owned land has been a public-private partnership involving the DC Department of Housing and Community

Development, the Deputy Mayor for Planning and Economic Development, the Executive Office of the Mayor, DC Housing Finance Agency, and local developers.

ACHIEVE STRATEGIC GOALS

DCHFA's mission is to advance the District of Columbia's housing priorities by investing in affordable housing and neighborhood development that provides pathways for DC residents to transform their lives. We seek to accomplish this by providing the most efficient and effective sources of capital available in the market to create homeownership opportunities. We believe that homeownership is a vital component to the success of city and its residents and aligns with the broader strategic vision of the city.



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Cynthia

TOWNHOMES

MODERN AFFORDABLE TOWNHOMES

OWN YOUR
DREAM HOME
TODAY

3 & 4 Bedrooms
3.5 Baths

Gourmet Kitchens
Hardwood Floors
Elite Parking

Housing Investment Platform
DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY

Robert A. Ratliff
Sales Manager
robert@therobertratliffgroup.com
301-674-9292

PREFERRED LENDER
Sandy Spring Bank

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