

## mTAP Project: Building Bridges Across the River

### CHALLENGE

The 11<sup>th</sup> Street Bridge Park will be the District of Columbia's first elevated public park, providing new opportunities for healthy recreation, environmental education, and the arts. The 1,200-foot-long expanse will connect the historic neighborhoods of Anacostia and Capitol Hill to serve as an anchor for inclusive economic opportunity, social connections, environmental sustainability, and building healthy communities.

Preserving and developing affordable housing is a central goal of the 11<sup>th</sup> Street Bridge Park Equitable Development Plan. Rapidly increasing property values and strong development pressure present

challenges for permanent affordable housing for the residents of Anacostia. Building and operating a community land trust (CLT) is one strategy to address these challenges and promote equitable and inclusive growth.

What is a CLT? A community land trust (CLT) is a nonprofit corporation that develops and manages long-term affordable housing and other uses. Typically, a CLT purchases housing or land on which housing can be built. Homes are sold to lower-income families. The CLT retains ownership of the land and provides long-term ground leases to homebuyers. When a homeowner is ready to sell, the CLT retains the right to purchase the property at formula-driven price to ensure the property remains permanently affordable.

The mTAP team was asked to address the following key questions:

- **Partnership:** How should the CLT manage development with multiple partners and what are the tradeoffs?
- **Preservation:** What are the steps necessary to preserve small apartment buildings in the impact area? What are the financial tools available to bundle smaller buildings?
- **Policy & Advocacy:** What D.C. policies exist that can be leveraged, created, or modified to facilitate the efforts of a CLT to preserve affordable housing in the impact area?
- **Financing:** What is the District's role in financing/supporting continued CLT growth and expansion?

### RESEARCH AND APPROACH

- Coordinate with the 11<sup>th</sup> Street Bridge Park Team: Scott Kratz, Director of Building Bridges Across the River and Vaughn Perry, Equitable Development Manager
- Conduct interviews with affordable housing developers, financial partners, and regulators to investigate potential partnerships, preserving small-scale apartment buildings, public policy opportunities and challenges, and the city's role in the CLT.
- Evaluate community land trusts operations, policy opportunities to leverage, and relevant financing tools applicable to the study area.

### RECOMMENDATIONS

#### *Partnerships*

- **Development partnerships:** Take advantage of existing resources on the ground to avoid duplicating efforts. While other CLT's provide construction and development capabilities, this is not recommended. Instead, partnerships with local non-profit organizations that already maintain such capabilities (e.g. Mi Casa, Habitat for Humanity) should be explored and fostered.

- **For profit developer partnerships:** When development occurs, requirements for inclusionary zoning could allow for ownership opportunities, however this will mostly likely occur because of regulation.
  - Pre-purchasing for-sale units may be worth exploring with for-profit developers.
  - CLT should target purchase of mandated for-sale affordable housing units.
- **Residents are your partners:** Consider creating a program whereby a building entering the Tenant Opportunity to Purchase Act (TOPA) process, or those seeking ownership, may approach the CLT for assistance; similar to a co-op as a wealth building process.
- **Educate the public:** Based on interviews, there appears to be a lack of understanding of the purpose and benefits of a CLT. Consider awareness and education forums, along with other communication materials (e.g. white paper, brochure). Focus on shared values and how CLTs can be a solution to community development challenges may help clarify and improve the narrative.
- **District government:** Consider appointing a District government representative on CLT board to facilitate relationships and process.

### *Preservation*

- **Preservation Strike Force and D.C. Preservation Fund:** Monitor these initiatives and seek partners who are involved. Continue communications with preservation officer.
- **Housing Production Trust Fund:** Provide gap financing: Access to funds is highly competitive. Focus your project application on earning points. Typically, criteria for earning points is adjusted annually.
- **DC Preservation Fund:** May be utilized to acquire land for affordable housing and rehabilitation; project selection on annual basis.

### *Policy and Advocacy*

- **District Opportunity to Purchase Act (DOPA):**
  - Monitor policy language to ensure nonprofit eligibility for assignment of properties.
  - Position CLT to meet any established eligibility requirements or criteria.
  - Explore potential for special designation of nonprofits for certain properties.
- **Home Purchase Assistance Program (HPAP):**
  - Utilize HPAP as a source of debt for CLT residents.
- **Accessory Dwelling Unit (ADU):**
  - Explore the potential to incorporate ADUs in acquired properties.
  - Seek approval for ADUs on property outside of the residential zones where they are permitted.
- **Community Housing Development Organization (CHDO):**
  - Seek certification of CLT as a CHDO, which affords greater flexibility in acquiring funding for development and operations, and facilitates direct funding of federal HOME and CDBG funds.
- **Opportunity Zone Program:**
  - Monitor final designation of Opportunity Zones and overlap with the impact area.
  - Monitor implementation of program and flow of capital, to pair with LIHTC and other affordable development.
  - Target relationships with Opportunity Funds.

## Financing

- **Joint Ventures:** Create long-term joint ventures to preserve strategic alignment. For example, partner with developers and investors to acquire property and sell the land back to the CLT. The CLT would execute a long-term ground lease with a partner who is be responsible for management and leasing of property.
- **Department of Housing and Community Development (DHCD) Initiatives:**
  - **Housing Protection Trust Fund (HPTF):** Utilize HPTF dollars for project gap financing. Align the CLT with strategic partners that create a competitive edge to obtain HPTF funding (e.g. National Housing Trust). HPTF is the major tool used to produce and preserve affordable housing in the District of Columbia. This fund takes a holistic approach and examines what resources a team will bring to the table.
  - **Low Income Housing Tax Credit (LIHTC):** Partner with local developers to obtain LIHTCs. LIHTCs encourage private sector investment in the construction and rehabilitation of housing for low- and moderate-income individuals and families. Project owner/investors can claim the LIHTC on their federal income tax return each year for a period of 10 full years. However, projects generally must meet certain requirements for low-income use for at least 30 years.
  - **Historic Rehabilitation:** For-profit development partners should explore 20% federal tax credit for rehabilitating income-producing property in the Anacostia Historic District. Other benefits include protecting the neighborhood and its historic and cultural identity; more environmentally sustainable than new construction.
  - **Inclusionary zoning:** Potential future stewardship opportunity as development begins.
- **Federal Home Loan Banks:** Align the CLT with strategic partners that create a competitive edge in obtaining funding from Federal Home Loan Bank programs. These programs include:
  - Affordable Housing Program (AHP)
  - Community Investment Program (CIP)
  - Community Investment Cash Advance Program (CICA)
- **Private Activity Bonds (PAB):** Understand and monitor the requirements of PABs so they can be utilized as part of the capital stack. Private activity bonds are municipal bonds used to attract private investment for projects that have some public benefit.
- **Debt Financing:** Based on current interest rates and assets held by the CLT, debt financing can be a straightforward solution to the acquisition and construction of real estate.

## mTAP TEAM MEMBERS

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