



Jubilee Homecoming:

How Affordable Housing Becomes Reality

by Michael Hickok

Million-dollar condos are growing like mushrooms in the District. Neighborhoods that were once considered fringe are fast becoming fashionable. While gentrification infuses the local housing market with a huge amount of private capital that increases the supply of new housing and improves the existing, aging, housing stock, low-income families are often squeezed out of their own neighborhoods in the process. Amidst the clamor of construction and the clutter of cranes on the skyline, it is reassuring that an organization like **Jubilee Housing** is working everyday to fulfill its vision: “Every person, no matter what level of income, deserves access to quality housing in a supportive community.” It’s a vision that is very easy to state but very hard to achieve.

In 1973, a group of individuals from the ecumenical **Church of the Saviour** founded Jubilee Housing to address the housing crisis in Adams Morgan. Led by **Terry Flood** and **Barbara Moore**, and with the sage advice and financial support of the late **Jim Rouse**, Jubilee Housing now owns and operates eight properties that provide affordable housing and support services for 850 families and individuals.

In the fall of 2004, Jubilee Housing recognized the need to systematically renovate seven of its properties while maintaining their affordability. Phase I, which includes four of the seven buildings, is estimated to cost \$20 million. But the organization first needed to define “affordable” housing, for which there is no consensus definition. For example, when a housing developer is asked by the District to set aside a certain number of dwelling units as affordable (as will be required when the hotly debated “inclusionary zoning” ordinance is passed), “affordable” is defined as the purchase price that a family with an income equal to 80 percent of the Average Mean Income (AMI) can afford. But with an

AMI in the District that is approximately \$89,000, the threshold is still too high for many families in the District and nearly all families who currently live in Jubilee Housing units. Jubilee’s goal is to make units available to families whose incomes reach only 30 percent of AMI. This is an income eligibility threshold that more closely matches that for publicly subsidized housing or **Habitat for Humanity**.

For a private property owner undertaking a \$20 million building rehabilitation project, adhering to such an affordability standard is a significant challenge, even if the owner is a nonprofit. But as **Jim Knight**, Executive Director of Jubilee Housing, often reminded the project team, “This is about providing housing and opportunities for real people; it’s not a real estate deal.”

Based on current rental income, Jubilee could afford to finance about 20 percent of the total \$20 million project with a conventional bank mortgage. For the remaining 80 percent, they approached **Jalal Greene** of the District’s **Department of Housing and Community Development (DHCD)**, and **Laurence Cager**, head of the **Development Financing Department**. Realizing that as a creditor it would be in a subordinate position to the bank, DHCD decided that it would be more practical to finance the entire project. DHCD, however, does not have its own pool of capital. For Jubilee, DHCD obtained primary local funding from the District’s **Housing Production Trust Fund (HPTF)**, whose source of capital is a small percentage of the real estate recordation fee that is charged whenever a real estate transaction is recorded with the District. Additional funding was obtained from the **HOME Investment Trust Fund** of the **U.S. Department of Housing and Urban Development (HUD)**. Through the HOME program, HUD provides block grants to state and

local governments that those governments can use—often in partnership with local nonprofit groups—to fund the construction, purchase, or rehabilitation of affordable housing for rent or homeownership, or to fund programs that provide direct rental assistance to low-income people. State and local governments may use HOME funds in the manner most suited to local needs: for grants, direct loans, loan guarantees, other forms of credit enhancement, rental assistance, or security deposits.

The flexibility of the HOME program is important. Without it, the financing for a project such as Jubilee Housing could not work. Jubilee’s rental revenue is sufficient to service the debt of the primary HTPF mortgage, which is much like a conventional first mortgage with a well-below-market interest rate. But current rental income was insufficient to service any additional debt. Jubilee’s HOME funds are in the form of a subordinate loan with a 40 year term, with repayment deferred for an initial fixed period, after which loan payments are made as cash flow permits. Even modest inflation will reduce the relative value of the subordinate loan principal in comparison to rental revenue, which should give Jubilee sufficient cash flow to repay the loan once the deferment period ends.

These two sources—the HTPF mortgage and the HOME program funds—were still insufficient for Jubilee’s needs, so the nonprofit and its advisors explored the possible benefits of the **Low Income Housing Tax Credit**. Created by the Tax Reform Act of 1986 to promote affordable housing development, the credit is an incentive for developers to build low-income housing. But a tax credit is of no benefit to a nonprofit, tax-exempt property owner. Jubilee needed a way to convert the value of the tax credit into a legally transferable commodity and to find a “buyer” to purchase it. The nonprofit retained **Enterprise Social Investment Corporation (ESIC)**, a tax credit syndicator that matches prospective tax credit investors with nonprofits who have tax credits available. In a fitting twist, Jim Rouse helped establish ESIC, which is now serving as the key resource for revitalizing the properties of the organization—Jubilee Housing—that inspired him to create the investment corporation in the first place. ESIC successfully paired Jubilee with **Fannie Mae**. Because a nonprofit cannot directly sell its tax credits to a for-profit entity, a new for-profit limited partnership was created, with Jubilee as the majority partner and Fannie Mae as the minority partner. Through this complex mechanism an important piece of the financing was put into place.

The final element of financing, a short-term construction loan, had been originally promised by **Riggs Bank**. Fortunately, when the bank was sold to **PNC Bank**, the new owner honored the original commitment. After 18 months of work, negotiation, and a lot of creative thinking, the financing for the renovation of Phase I of the Jubilee Housing was completed. Design and construction could finally begin.

Juanita Waddell of **Pinnacle Development Partners** managed the design and construction process, in close collaboration with Jim Knight, Jubilee’s tireless Executive

Director. Pinnacle brought substantial and invaluable experience in affordable housing development to the project. Knight and his staff provided the constant support and diplomacy that the entire team needed to maintain its focus and cohesiveness throughout the project. Together, they managed hundreds of project details beyond the apparent one of renovating the buildings, including temporary relocation of tenants and bringing the buildings into compliance with current life safety codes.

In addition to providing their customary professional expertise, the entire design and construction team, including **Hickok Cole Architects** (formerly Hickok Warner Cole), **Structural Design Group**, **Global Engineering**, and **Linden Contracting, Inc.**, worked for far less than their usual levels of compensation in order make certain the project remained affordable. “The design team, led by Hickok Cole, went well beyond our expectations,” said Knight. “They not only worked on a largely pro-bono basis, they created alternative [construction] pricing schemes, and helped us seek compromises when cuts had to be made. They also participated in the fundraising.”



Hickok Cole Architects

Adams Morgan has always been a neighborhood that mixed jazz with reggae, conservatives with liberals, nightclubs with houses and apartments, people of all races. But the character and demographic mix is shifting as more and more gentrification takes place. The diversity that has made Adams Morgan special could disappear. While the neighborhood becomes more stable and perhaps safer, fewer and fewer affordable housing options are available with each passing year.

Jubilee’s residents have watched as new condos and “gut rehab” renovations sprouted on all sides, while their 90-year-old buildings continued to deteriorate. Many wondered, “What will happen to us?” Through the renewed efforts of Jubilee Housing, the crucial support of the District government, and the hard work of the development, design, and construction team, the residents of Jubilee Housing can now feel secure that they will not be displaced by new development and that they will have newer, safer places to live in one of DC’s most vibrant neighborhoods. 🏡