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What's a nonprofit housing developer to do in hot real estate market? Raise an investment fund.

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Key story highlights:

D.C.-based developer Jubilee Housing is working to raise \$5 million to help it acquire buildings in Adams Morgan, Columbia Heights and Mount Pleasant and convert them into affordable housing units. Jubilee has raised \$1.85 million from a variety of investors, including The Share Fund.

The developments are aimed at households making no more than 30 percent of the area median income.



JUBILEE HOUSING

Jubilee Housing is planning to redevelop the former Transcentury office building pictured here in Adams Morgan into an affordable housing development.

Jubilee Housing is turning to the region's wealthy to create an investment fund to help it compete in the hot housing market, a rare move for a nonprofit developer.

The \$5 million Justice Housing Partners Fund will allow the D.C. nonprofit to acquire three or four properties in neighborhoods where real estate prices are quickly rising, providing 100 units for residents making no more than 30 percent of the area median income. Jubilee has raised about \$1.85 million so far.

The nonprofit hopes to acquire the properties in Adams Morgan, Columbia Heights and Mount Pleasant, all communities that have seen an escalation in home prices and rapid gentrification. Three-bedroom market-rate units in those neighborhoods range from \$2,520 to \$4,025.

Jubilee has gotten funding commitments from two undisclosed institutional investors and The Share Fund, a donor-advised fund of the Community Foundation for the National Capital Region, and several individuals. [Alex Orfinger](#), executive vice president of Charlotte-based American City Business Journals and former publisher of the Washington Business Journal, is a Jubilee board member and is leading the fundraising efforts.

The fund, combined with a \$15 million line of pre-approved acquisition financing from [United Bank](#), will help Jubilee compete with developers and investors who are making cash offers for distressed properties, said Jim Knight, executive director and president of Jubilee, which was founded in 1973.

"We knew we needed something that enabled us to compete with all-cash offers, and no contingencies on the other side of the table," Knight said. "We believe that if the market is left unchallenged, it will continue

to produce high-end housing product to the expense of people who have lived here a long time or who need different price points."

Here's how the fund works: Jubilee seeks investments from wealthy individuals, groups and organizations that will finance acquisitions, along with loans from United Bank. Once the buildings are acquired, Jubilee will work on predevelopment activities such as design and permitting before applying for funding through the Department of Housing and Community Development.

"The acquisition funds allow us to advance the pre-development far enough," Knight said. "If the building costs \$10, we actually finance \$11 and use the other dollar to pay architects and advance the process."

Knight said Jubilee returns the investors' money once Jubilee obtains permanent financing from sources including DHCD's Housing Production Trust Fund and low-income tax credits. The estimated return, he said, is 2 percent.

"You get your money back the day we break ground on construction," he said of investors.

While there are similar efforts locally, such as JBG Smith's plan to create between 2,000 and 3,000 affordable units through an investment vehicle, those units will be targeted at households making at least 60 percent of the area median income.

Housing consultant Lisa Sturtevant said a fund that finances homes for households earning about 30 percent of AMI is quite rare, because rents generated from deeply affordable units aren't enough to support the development of those homes.

"You need all sort of gap financing not only at the predevelopment stage, but all throughout to make sure there is enough operating expenses," said Sturtevant, president of Alexandria-based Lisa Sturtevant & Associates LLC.

Jubilee is focused on rehabilitating properties with between 15 and 50 units, a size that Knight says fosters social interaction.

Knight said Jubilee already has two acquisition targets. One is a vacant 35,000-square-foot office building at 1724 Kalorama Road NW that Jubilee plans to purchase in late August, demolish and renovate into affordable housing. It will cost Jubilee \$8.2 million to purchase, \$2 million of which will come from the fund, with additional assistance from United Bank and the Local Initiatives Support Corp., he said. Jubilee declined to identify the other target.

There will be an opportunity to create another fund once the \$5 million is allocated, Knight said.

"If we are successful," he said, "we can have a second fund very easily."

Jubilee reported revenue of \$7.6 million last year and \$20.4 million in net assets as of Dec. 31.

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