District of Columbia Housing Finance Agency

Celebrating Affordable Housing

Annual Report 2006

Board of Directors

Rosalyn P. Doggett, *Chair*
Michael Wheet, *Vice Chair*
Isaac Green, *Member*
Everett E. Hamilton Jr., *Member*

Dedication

The District of Columbia Housing Finance Agency report for the fiscal year ending September 30, 2006 is respectfully submitted to:

The Honorable Adrian M. Fenty
Mayor, District of Columbia

The Honorable Vincent C. Gray
Chair, Council of the District of Columbia

The Honorable Marion Barry
Chair, Committee on Housing and Urban Affairs

The Honorable Carol Schwartz *(At-Large)*
The Honorable David A. Catania *(At-Large)*
The Honorable Phil Mendelson *(At-Large)*
The Honorable Jim Graham *(Ward 1)*
The Honorable Jack Evans *(Ward 2)*
The Honorable Mary Cheh *(Ward 3)*
The Honorable Harry Thomas Jr. *(Ward 5)*
The Honorable Tommy Wells *(Ward 6)*

ON THE COVER: Triangle View
FACING PAGES: George Washington Carver Apartments

A Message from the Chairperson

The D.C. Housing Finance Agency (HFA) had a year of positive growth and change. Responding to market need, we revived our single-family mortgage program to provide below-market interest rate loans. These loans allow low- and moderate-income individuals and families to buy homes. We are excited that the programs sold out almost immediately and that the funds were used in every ward of the city to finance the purchase of 170 homes. Because of the brisk pace of sales, we have doubled the size of our most recent single family mortgage program.

We are also pleased that we were able to fund and preserve 1,164 multifamily units, a higher total than last year in an era of rising costs for real estate purchases, construction and mortgage interest.

The program growth has been achieved in an era of transition for the agency. We have hired a talented new Executive Director, Harry D. Sewell, after a national search made necessary by the resignation of our longtime executive director, Milton J. Bailey. Mr. Sewell brings experience from a similar post with the state of Maryland, as well as executive leadership positions in Maryland and Pennsylvania housing and real estate development agencies. We thank our interim executive director, Thomas Redmond, Director of Government Relations and Public Affairs, along with our reliable and hard working staff, for seeing us through the transition period. We are fortunate that all of agency's business was conducted smoothly during that time.

We are delighted that increasing the supply of affordable housing is one of the key platform points of Mayor Adrian M. Fenty and Council Chair Vincent C. Gray. We pledge our strongest efforts to help them realize this objective. Looking ahead, we will work with our sister city agencies to continue the strong coordination instituted during the Anthony A. Williams administration. We know this will be advanced by Deputy Mayor for Planning and Economic Development Neil O. Albert. We will make ourselves available to finance affordable housing within large redevelopment, mixed-income and mixed-use projects throughout the city. We will aim to grow the single-family mortgage program, streamline the application process for down payment assistance as well as mortgage assistance; seek Housing Production Trust Funds to provide gap financing for multifamily developments; and serve the development community with even more timely assistance.

With new leadership, we think that the HFA is poised to reach new heights. We look forward to working with our housing partners to get there.

Sincerely,

Rosalyn P. Doggett
Chairperson

Triangle View

A Message from the Executive Director

It was with a great sense of pride and humility that I accepted the position of Executive Director of the D.C. Housing Finance Agency (HFA) in June 2006. The HFA has an excellent track record and longstanding tradition of being the city's premier financier of affordable rental housing and provider of low-interest mortgage loans. I have admired the work of the HFA for many years and even worked with the agency as a private sector housing developer. Today, I am proud to hold the leadership reins and stand committed to ensuring the HFA becomes an even more powerful financial resource in the city's housing industry.

In Fiscal Year 2006 (FY 2006), the HFA financed 1,164 affordable housing units totaling $71.3 million in tax-exempt and taxable bond financing. In addition, the HFA helped 170 families secure their first home. As we approach Fiscal Year 2007 (FY 2007), the HFA will build upon the successes of the past fiscal year and utilize lessons learned from past development financing efforts within the city, and other high-cost areas around the country, to streamline our financing processes, diversify our loan products and increase unit production. A major goal for the coming year will be to position the HFA as a key financial player in some of the larger neighborhood redevelopment efforts planned within the city.

Over the last few months, I have witnessed the incredible potential of the HFA's Home Resource Center and D.C. Bond Program. While the HFA was out of the single-family market for the past few years, the agency recently issued more than $127 million in single-family mortgage revenue bonds in a five-month period. Our goal is to garner a 20 percent share of the city's single-family loan market by issuing a minimum of $200 million in low-interest mortgage loan funds per year. In addition, we will expand the mortgage financing options under the D.C. Bond Program providing District of Columbia residents with sufficient financing choices to fit their needs.

During FY 2007 and beyond, I plan to work with our for-profit and nonprofit housing partners and the city's new Mayor and City Council, as the agency supports the overall mission of having an affordable and inclusive city for families and individuals of all socioeconomic backgrounds. As we move forward, the HFA's staff, Board of Directors and I will continue to champion the city's efforts to make the nation's capital an affordable place for everyone to call home.

Sincerely,

Harry D. Sewell
Executive Director

Triangle View

Fiscal Year 2006 Accomplishments

Financial

- Realized $2.194 million in actual net earnings
- Increased operating reserves by $1.433 million from $16.295 million to $17.728 million

Management and Administrative

- Achieved re-appointment of two members of the Board of Directors
- Finalized personnel manual and updated multifamily underwriting procedures manual

Programmatic: Single-Family Homeownership Programs and Activities

- Assisted 170 homebuyers purchase a home with a low-interest mortgage loan
- Issued $42 million in single-family tax-exempt bonds
- Approved five new banks to participate as approved lenders in the D.C. Bond Program
- Conducted 104 weekly workshops and 36 monthly Homebuyers Club meetings
- Counseled more than 1,500 residents through the Home Resource Center

Programmatic: Multifamily Rental Housing

- Funded 1,164 units at a total community investment of $71.3 million in tax-exempt and taxable bonds and $42.7 million in low-income housing tax credits. The HFA provided financing for the following eight affordable housing developments:
  - $9 million for Arthur Capper Senior–Phase II
  - $5.1 million for Garfield Hills
  - $5.6 million for Galen Terrace
  - $12.6 million for Golden Rule Apartments
  - $8.8 million for George Washington Carver Apartments
  - $10.6 million for Hunter Pines Apartments
  - $6.4 million for New Eastgate Phase I (Triangle View)
  - $13.2 million for Southview I & II Apartments
- Provided $1.350 million in short-term loans under the McKinney Act Savings Loan Fund Program to fund more than 119 units. The HFA provided financing for the following four housing developments:
  - $300,000 to Renaissance Properties, LLC
  - $350,000 to Colorado Avenue Northwest Cooperative Inc.
  - $350,000 to Golden Rule Apartments, Inc.
  - $350,000 to 4100 Georgia Avenue Limited Partnership

Fiscal Year 2007 Objectives

Financial

- Realize $1.360 million in net earnings
- Increase operating reserves by $0.905 million from $17.728 million to $18.633 million

Management and Administrative

- Create a legislative tracking system
- Identify the new policy direction of the new mayor and city councilmembers
- Achieve the re-appointment of boardmembers and fill the vacant seat on the Board of Directors

Programmatic: Single-Family Homeownership Programs and Activities

- Increase the number of approved participating lenders in the D.C. Bond Program
- Develop reporting formats that allow proper tracking of program progress
- Investigate outsourcing compliance review to Countrywide Home Loans

Programmatic: Multifamily Rental Housing

- Implement technological upgrades within the Public Finance Group designed to increase productivity
- Continue to work with the Department of Housing and Community Development and the District of Columbia Housing Authority to coordinate efforts and streamline financing processes
- Develop a financing model that demonstrates the benefits and process of using HFA financing tools for mixed-income housing developments

Agency Accomplishments for Fiscal Year 2006

In Fiscal Year 2006 (FY 2006), longtime Executive Director Milton J. Bailey and Deputy Executive Director Zoreana Barnes departed the D.C. Housing Finance Agency (HFA) after more than a decade of service. Under their leadership, the HFA experienced unprecedented growth. Most importantly, the agency's $6.4 million deficit was erased and eventually grew to an accumulated fund balance of more than $25 million. There was also a steady increase in both multifamily and single-family bond financings, reaching a highpoint of 2,443 units financed in Fiscal Year 2002. In addition, the agency's Standard and Poor's and Moody's Investors Services bond ratings were upgraded to BBB and A3, respectively. Mr. Bailey and Ms. Barnes opened the Home Resource Center and established several new programs, including the McKinney Act Savings Loan Fund Program, Target Area Builder Bond Program, Land Development Program, National Taxable Mortgage Loan Program and the Affordable Housing Specialized Loan Fund Program.

In June 2006, the Board of Directors appointed Harry D. Sewell as the agency's new executive director. With more than 30 years of experience in the housing industry, Mr. Sewell's leadership and vision was welcomed by the agency's staff and the city's development community. Rosalyn P. Doggett, Chair, HFA Board of Directors, noted "We are extremely pleased he has agreed to lead the HFA. He is a strong leader with a successful track record, and we have full confidence that his experience, professional skills and tremendous depth of knowledge in the housing industry will allow us to meet the city's demand for affordable housing in new and innovative ways."

Overall, the HFA experienced another successful fiscal year by achieving many of its financial, management and programmatic goals. The HFA ended FY 2006 with actual revenues of $7.523 million and expenses of $5.329 million, resulting in $2.194 million in actual net earnings. Operating reserves were increased by $1.433 million; and operating reserve levels increased from $16.295 million to $17.728 million. In addition, for the first time in many years, the HFA's multifamily and single-family programs worked in tandem to help make Washington affordable to low- and moderate-income residents.

The agency's staff also focused on two very important goodwill efforts. To celebrate National Homeownership Month, the HFA took the lead in organizing a multi-agency blood drive. On June 15, 2006, the HFA partnered with the American Red Cross to help meet another critical need residents have in Washington, a need for live-saving blood donations. The Department of Housing and Community Development (DHCD), District of Columbia Housing Authority (DCHA) and the Deputy Mayor's Office for Planning and Economic Development joined in the special event. In total, 30 donors signed up to participate in the event, and many were first-time donors or donors who had not volunteered to give blood in a very long time. The HFA's staff also participated in the Lee National Denim Day in October 2006. With two former employees diagnosed with breast cancer, participation in the nation's largest single-day fundraiser to fight against breast cancer took on a special meaning. For one day, staff donned their denim jeans and pink ribbons in a symbolic gesture of support to end breast cancer.

Single-Family Mortgage Loan Program and Activities

Flattened interest rates and the narrowed spread between tax-exempt and market-rate mortgage loans kept the HFA out of the single-family market for years, but in FY 2006, the HFA made a triumphant comeback. In December 2005, the HFA issued its first mortgage revenue bonds under the Single-Family Bond Program in three years. In about 30 days, the $17 million in low-rate mortgage loans were reserved, resulting in the purchase of more than 60 affordable homes. Judging by the rapid reservation of funds, the Single-Family Bond Program was surely a welcomed choice in the mortgage loan market. Building on the momentum of the successful December issuance, the HFA released $25 million in low-interest mortgage loans in August. Similarly, residents eagerly reserved the funds, and this issuance will likely result in an additional 94 families becoming homeowners in Washington.

In FY 2006, the HFA's Home Resource Center continued to conduct free homeownership workshops, answer homeownership questions from callers and organize Homebuyers Clubs for low-income housing residents who participate in the Housing Choice Voucher Program. Through its partnership with DCHA, the HFA was able to help 30 residents become homeowners. In total, the Home Resource Center staff conducted 104 weekly workshops, 36 monthly Homebuyers Club meetings, participated in 10 outreach events and assisted more than 1,500 residents. In addition, the HFA partnered with SunTrust and Re/Max to reestablish the Su Propia Casa Workshop to assist Spanish-speaking residents with the homebuying process.

Multifamily Financing Activities

In FY 2006, the HFA continued to work closely and collaboratively with its government housing partners to help increase developers' abilities to bring various public resources to the table to assist with their development plans. In total, the HFA financed eight multifamily housing developments resulting in the production and preservation of 1,164 affordable housing units. With a total agency investment of $71.3 million in tax-exempt bonds and $42.7 million in syndicated equity proceeds derived from the sale of low-income housing tax credits, the HFA supported the construction or preservation of affordable housing units in Arthur Capper/Carrollsburg, Southview I & II Apartments, Golden Rule Apartments, Hunter Pines Apartments, New Eastgate, George Washington Carver Apartments, Galen Terrace and Garfield Hills.

In Ward 6, the HFA financed a second apartment building for seniors as a part of the **Arthur Capper/Carrollsburg** HOPE VI redevelopment initiative. In Fiscal Year 2005 (FY 2005), the HFA provided $9 million in tax-exempt bridge bonds for the construction of a 162-unit apartment building for residents 62 years of age or older on part of the former Arthur Capper/Carrollsburg public housing site. In FY 2006, the HFA provided $9 million in tax-exempt bond financing for the second senior building on the Arthur Capper/Carrollsburg site. This senior building will provide 138 affordable rental housing units. Both senior buildings will be affordable to seniors earning at or below 60% Area Median Income (AMI), which is $54,720 for a family of four. Overall, Arthur Capper/Carrollsburg is scheduled to undergo redevelopment with the assistance of a $35 million HOPE VI grant provided to DCHA by the U.S. Department of Housing and Urban Development (HUD). The final plans outline a mixed-income, mixed-use neighborhood with a community center, office space, storefront retail and over 700 public housing units, 525 affordable rental units and 330 market-rate homeownership units.

In Ward 7, the HFA financed another building for seniors. Similar to the redevelopment of the Arthur Capper/Carrollsburg public housing site, the **Eastgate Gardens** redevelopment will provide several new affordable housing opportunities in southeast Washington on a former public housing site. The buildings were demolished between 1998 and 2002, and in July 2004, HUD awarded DCHA a $20 million HOPE VI grant to assist with the site's redevelopment. The HFA and DCHA are working together to help finance the redevelopment of the site and keep it affordable for former public housing residents and others hoping to move to the redeveloped site.

In FY 2006, the HFA issued $6.4 million in tax-exempt bonds for the construction of an affordable housing apartment building for seniors, which will be located at 3600 B Street, SE within the former Eastgate Gardens site. The building will be named Triangle View and will house 100 one-bedroom apartments for individuals who are 62 years of age or older. All of these units are set aside for households with incomes at or below 60% of AMI. Additionally, 75 of the units will be set aside for public housing residents who pay subsidized rents. While this building marks Phase I of the site's redevelopment plan, other phases call for the construction of 61 affordable rental units and 108 homeownership units.

George Washington Carver Apartments was also financed by the HFA in Ward 7. The 176-unit apartment complex consists of 44 buildings that line both sides of East Capitol Street, SE between 47th and 49th Streets. After decades of physical deterioration and poor upkeep, the apartments turned into a major eyesore within the Deanwood and Marshall Heights neighborhoods. For several years, the HFA has played a major role in assisting with the financing of the site's redevelopment efforts.

"With another year of strong financial results, successful program implementation, and an effective transition to a new Executive Director, the agency is poised to continue its leadership role in the city's housing finance efforts. I'm proud to have been part of that record of success."

—MICHAEL WHEET, VICE CHAIR, BOARD OF DIRECTORS

The HFA's involvement dates back to August 2002. After two years of unsuccessful attempts to receive federal funding and missing several extensions from the seller to purchase the property, tenants of the apartment complex were facing possible displacement. Residents reached out to the government of the District of Columbia for assistance, and both the HFA and DHCD partnered to help the residents. Within five days, the HFA provided a bridge loan of $2.4 million from the McKinney Act Savings Loan Fund Program to the Carver 2000 Tenant Association for the acquisition of the apartments. DHCD committed to repaying the HFA's bridge loan and providing financing for residents to acquire and rehabilitate the apartment complex.

In FY 2006, the HFA provided $8.8 million in tax-exempt bonds for the construction of the 104-unit apartment building on the site of George Washington Carver Apartments. With a total development cost of $17 million, the new apartment building will be located at 4700 E. Capitol Street, NE and will house individuals 55 years of age or older. The apartments will be affordable for the next 30 years to individuals with incomes at or below 60% of AMI. Development of the complete site will occur in several phases and will include both rental housing and detached, for sale, single-family homes and townhouses. Phase I of the site's redevelopment is the construction of the apartment building for seniors.

"I am always honored to meet the residents of the housing development projects that receive HFA funding. Not only do I then have a personal link with the work of the agency, but I always leave with a clearer understanding of the role that safe, respectful and affordable housing can play in the lives of those families. Through our efforts, HFA is creating the kind of vibrant and diverse city that we all want."

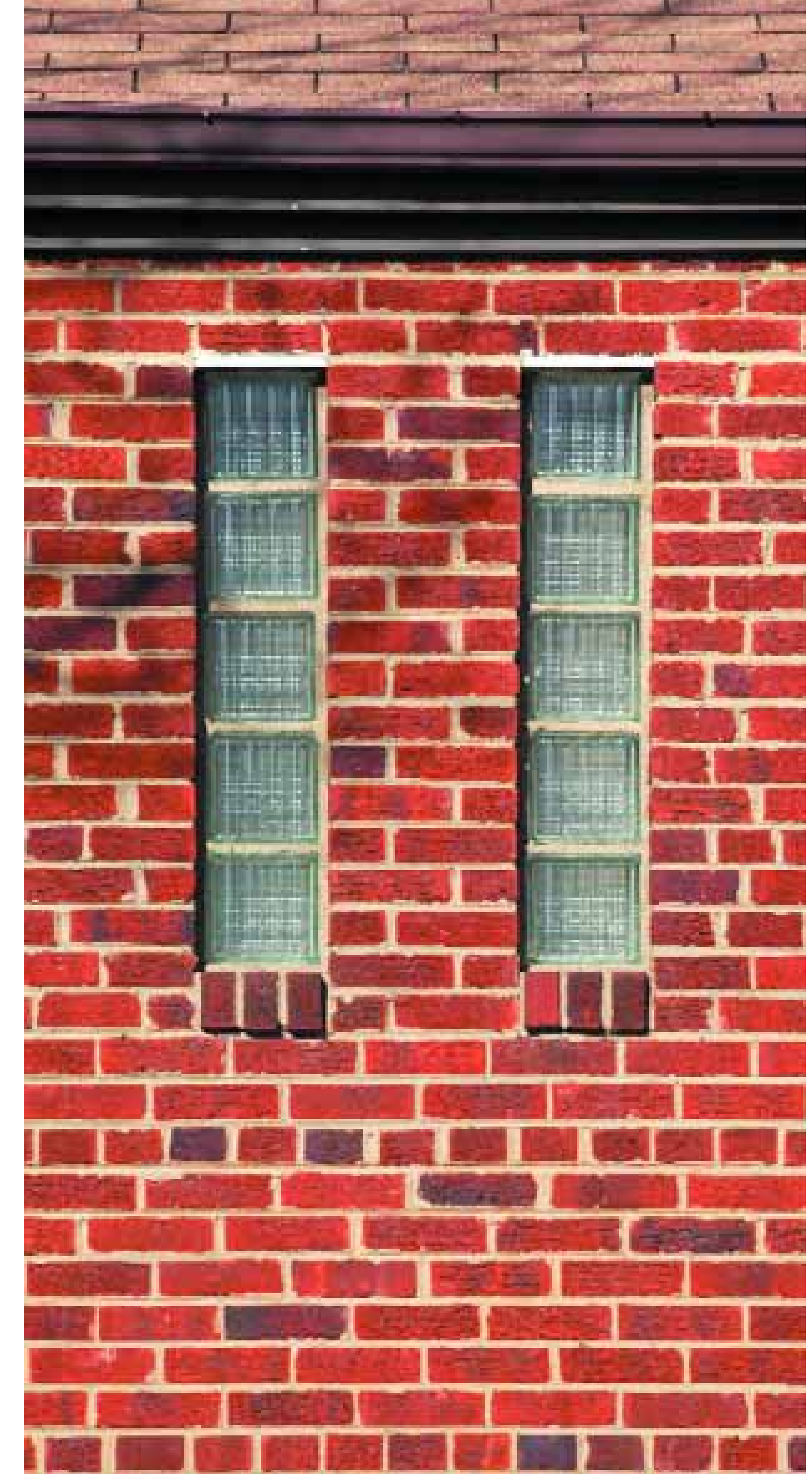
—EVERETT E. HAMILTON JR., BOARDMEMBER

MissionFirst Development, Golden Rule Apartments, Inc. and The Henson Development Company were awarded the 6th Annual Affordable Housing Development Award of Excellence for the development of **Golden Rule Apartments** in Ward 2, which is a 183-unit mid-rise apartment building located at 901 New Jersey Avenue, NW. To assist with the purchase and renovation of the site, the HFA provided $12.6 million in tax-exempt bond financing and an annual 4% tax credit allocation that raised $9.3 million in syndicated tax credit equity. In addition, thanks to the efforts of the development partners, HUD extended the Section 8 Housing Assistance Payments (HAP) contract for 20 years.

A substantial rehabilitation is planned for Golden Rule Apartments, including renovations to the apartments, safety enhancements and improvements to an existing on-site daycare center, which serves both children who reside in Golden Rule Apartments and the surrounding neighborhood. The total development budget is over $25 million, and renovations are expected to be complete in September 2008.

MissionFirst Development is a Washington-based housing developer that is committed to producing affordable housing for low- and moderate-income residents. Since Fiscal Year 2001, the company has successfully preserved or constructed several affordable apartment complexes throughout the city. With financial assistance from the HFA, MissionFirst Development preserved 182 affordable housing units in Ward 7's Douglas Knoll, 34 affordable apartments in Ward 1's Meridian Manor and 266 affordable housing units in Ward 8's Parkway Overlook Apartments. In addition, MissionFirst Development partnered with members of the religious community to construct two affordable housing developments for seniors. MissionFirst Development and Bible Way Church received $8.8 million in tax-exempt bond financing from the HFA for Golden Rule Plaza in Ward 6, and the development company partnered with First Rock Baptist Church to construct the 74-unit J.W. King Seniors Center in Ward 7. The HFA provided $5.8 million in tax-exempt bond financing for the development of the affordable mid-rise apartment building for seniors.

In Ward 8, the HFA financed Galen Terrace Apartments and Hunter Pines Apartments and refinanced Garfield Hills and Southview I & II Apartments. For **Galen Terrace Apartments**, it was another successful partnership between tenants, the development community and the city's housing agencies that drove the redevelopment efforts. Galen Terrace Tenants



Association, Inc., Somerset Development and National Housing Trust-Enterprise Preservation Corporation worked together to plan a substantial rehabilitation of the six buildings that make up the apartment complex. The HFA provided $5.6 million in tax-exempt bonds and an annual 4% tax credit allocation that raised $4.6 million in syndicated tax credit equity to assist with the acquisition and renovation of the 84-unit apartment complex that lines W and Green Streets, SE. In addition, DHCD allocated $3.25 million in Community Development Block Grant funds for the site's redevelopment, and HUD provided a 20-year renewal of the complex's Section 8 HAP contract. All of the units will be affordable to individuals earning 60% or less than the AMI.

Renovations to Galen Terrace Apartments entail upgrading housing units, safety features and improvements to resident services and facilities. Two major improvements are an on-site playground and the construction of a community center, which will house the management office, a computer center and space for residential programs and activities chosen by the tenants association and developer. A portion of the development fee and cash flow due to the tenants from the sale of their development rights will be used to fund the programs, which will more than likely be an after-school program, job-placement services, tax preparation assistance and financial literacy training.

Hunter Pines Apartments, another Ward 8 apartment complex, is set to undergo a major renovation. The apartment complex's 20 buildings are located along Stanton Road, SE; Trenton Place, SE; Mississippi Avenue, SE and 18th Street, SE in the Congress Heights neighborhood. William C. Smith & Company, Inc. and the East of the River Community Development Corporation collaborated to design a $19.6 million redevelopment of Hunter Pines Apartments. Renovations include replacing roofs, windows, carpet and doors; improvements to the plumbing system; replacement of cabinets, appliances and bathroom vanities and improvements to the site's lighting, landscaping, walkways, awnings and parking lots.

The HFA provided $10.8 million in tax-exempt bonds for the acquisition and renovation of Hunter Pines Apartments. All of the 204 units within the apartment complex will be set-aside for households with incomes at or below 60 percent of AMI. In addition, the developer worked with HUD to extend the Section 8 HAP contract on the property for one year and is seeking a long-term commitment to ensure the contract remains in place for several more years.

William C. Smith & Company, Inc. is a longtime affordable housing partner of the HFA and has a remarkable track record of transforming dilapidated or deteriorated apartment complexes in southeast Washington. Most notably, the development company revitalized The Townes at Oxen Creek, Worthington Woods, Village of Parklands, Washington View, Hunter Pines Apartments, and Shipley Park Apartments. The HFA provided $4.7 million in tax-exempt bond financing in 1995 for the redevelopment of 296 units in Worthington Woods, and in FY 2005, the agency provided $11.9 million in tax-exempt bonds for the renovation of Shipley Park Apartments, a 249-unit garden-style apartment complex in the Congress Heights neighborhood.

As residents move in and out of apartment complexes, wear and tear undoubtedly occurs. Three apartment complexes previously financed by the HFA did not escape the natural deterioration caused by regular use, but thankfully, the owners returned to the HFA for financial assistance to ensure the apartments remained safe, secure and affordable to residents.

More than 20 years after financing Southview II Apartments and more than 10 years after the rehabilitation of Southview I Apartments, the HFA was tapped again to finance the acquisition and rehabilitation of both apartment complexes. In Fiscal Year 1982, the HFA provided $6.8 million in tax-exempt bonds for the rehabilitation of Southview II Apartments, and in Fiscal Year 1992, the agency provided $3.8 million for the redevelopment of Southview I Apartments.

In May 2006, the HFA approved $13.2 million in tax-exempt financing for the redevelopment of both apartment complexes. The 22 three-story buildings that make up **Southview I & II Apartments** are located on a 8-acre site in the Congress Heights neighborhood. The brick buildings were built in 1947 and are located at 3401-3671 22nd Street, SE and 2200-3608 22nd Street, SE. Co-developers William C. Smith & Company, Inc. and the East of the River Community Development Corporation have teamed up again for a $21.4 million acquisition and rehabilitation of the apartment complex. Most importantly, the developers opted to reserve 100% of the 257 apartments for households with incomes at or below 60% of AMI. The redevelopment process is expected to be completed within 16 months and entail tenant-in-place rehabilitation. Renovations include repairs to the building exteriors, upgrades to individual units as well as improvements to the lighting, landscaping and parking lots.

In 1981, the HFA provided $4.5 million in financing for the rehabilitation of **Garfield Hills** in the Garfield Heights neighborhood. The 93-unit apartment complex was built in 1949 and consists of seven two- and three-story buildings. The complex is located at the intersection of Hartford Street, SE and 23rd Place, SE and is within close proximity to the Branch Avenue Metro stop and the newly planned Camp Simms development.

For more than 20 years, the apartment complex has been an affordable option for residents, especially those in need of large family-sized apartments with three- and four-bedrooms. In FY 2006, the HFA provided $5.5 million in tax-exempt bonds for the acquisition and rehabilitation of Garfield Hills, helping to guarantee that 98% of the units will be affordable to families and individuals earning at or below 60% of the AMI. The developers, National Equity Fund Preservation of Affordable Housing, Inc. and POAH Garfield Hill, LLC, plan a moderate rehabilitation of the apartment complex, including replacement of rear balconies, improvements to all kitchens and bathrooms, upgrading the electrical and HVAC systems and wiring the property for high-speed Internet access.

"Each year, the HFA works with public and private developers to transform dilapidated and vacant properties into vibrant, revitalized apartment complexes for city residents. Through the work of the HFA, we are able to remove blight, maintain affordability and breathe new life in communities. It is incredibly important to me that I play a role in ensuring Washington remains a safe, affordable and inclusive city for everyone."

—ISAAC GREEN, BOARDMEMBER

McKinney Act Savings Loan Fund Program

In FY 2006, the HFA financed four housing developments through the McKinney Act Savings Loan Fund Program. The fund offers short-term loans at below-market rates to developers and owners of housing developments. The intended uses of the loans vary. Nonprofit organizations can utilize the funds to develop transitional housing for the homeless and individuals with disabilities, and developers can use the loan funds for enhancements and deferred maintenance repairs to existing projects. In addition, funds can be used to provide functionally-related recreational, health, educational or social services facilities for housing occupied by very low-income persons and families and for the development of affordable housing for persons with special needs, including the elderly, homeless, persons with disabilities and those recovering from substance abuse.

Renaissance Properties, LLC received a $300,000 loan from the McKinney Act Savings Loan Fund Program for a housing development called **A New Day Transitional Housing**. The 11-unit transitional housing building is located at 851 Yuma Street, SE and will provide housing for women with children moving out of homeless shelters. The HFA's loan will allow the developer to continue to renovate the vacant apartment building while funding from other government sources is finalized. Renaissance Properties, LLC has committed to maintaining the units for individuals earning at or below 50% of AMI for at least 10 years, as required by the McKinney Act Savings Loan Fund Program.

The **Colorado Avenue Northwest Cooperative Inc.** received a $350,000 loan for its property located at 5746 Colorado Avenue, NW. The funds were provided to assist with ongoing expenses, outstanding obligations as well as rehabilitation and repair costs. In 1997, the HFA provided $1 million in tax-exempt bonds for the establishment of the 36-unit cooperative.

The owners of **4100 Georgia Avenue, NW** received a $350,000 loan for predevelopment costs associated with the construction of a 72-unit multifamily apartment building at the site. Through an agreement with the HFA, the owners have agreed to set aside 14 units for occupancy by families or individuals who have very-low incomes. The apartments will remain affordable for very-low income families for at least 10 years.

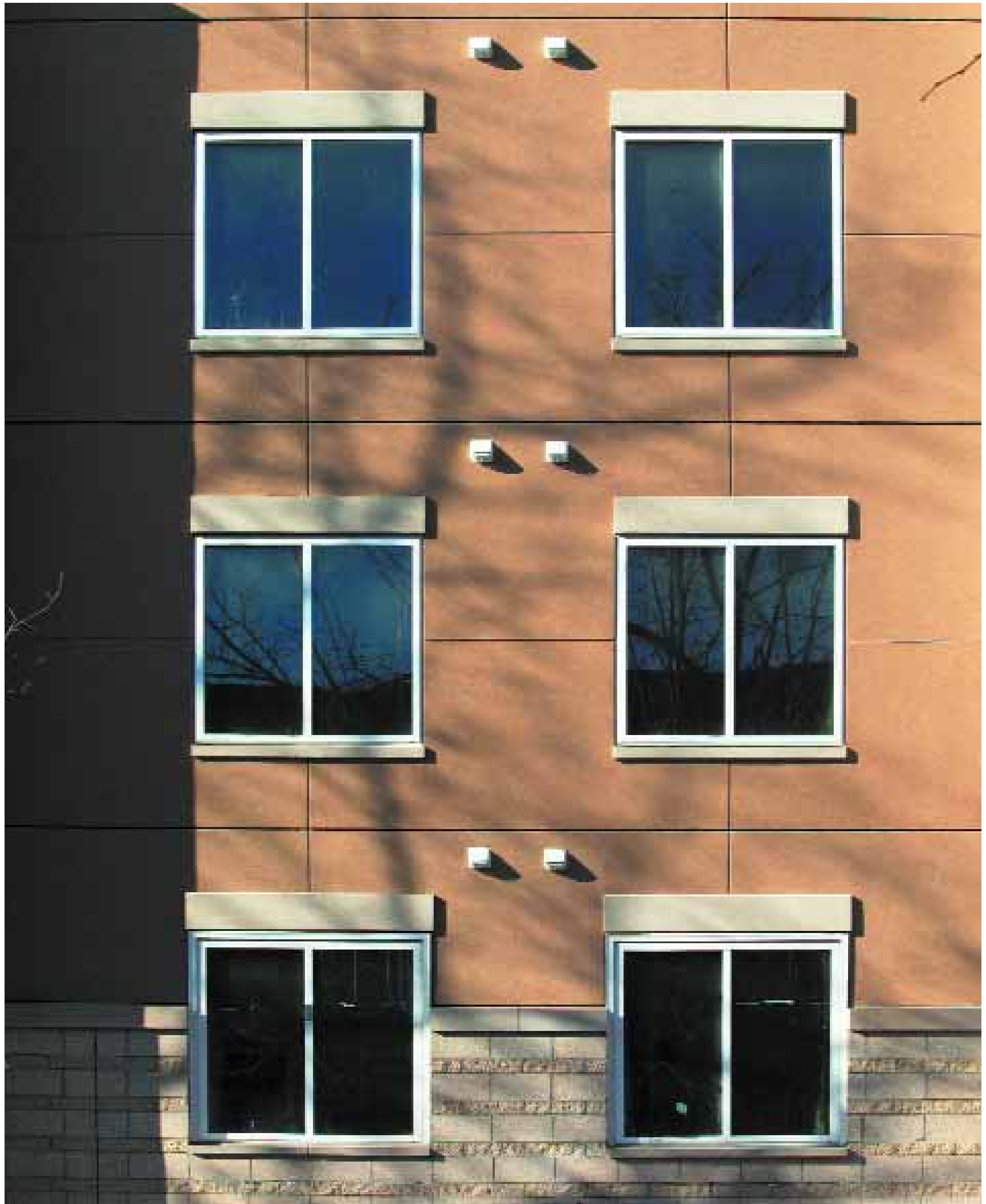
The developers of Golden Rule Apartments are also teaming up to produce more affordable housing near the New York Avenue Corridor. Golden Rule Apartments, Inc. has contracted with The Henson Development Company and MissionFirst Development to assist with the redevelopment of **Golden Rule Center**, which is a mixed-use development with 40 apartments and a vacant grocery store. A $350,000 loan from the McKinney Act Savings Loan Fund Program was provided to Golden Rule Apartments, Inc. to relocate tenants from the Golden Rule Center and to assist with property carrying costs. Golden Rule Apartments, Inc. plans to demolish the building and construct a new mixed-use, mixed-income property in accordance with the plans outlined by the city's New Communities Initiative. Proposed plans entail the creation of 150 apartments and 10,000 square feet of retail space on the site. The owner has also agreed to set aside 40% of the new apartments for households earning at or below 50% of AMI and 30% of the new units for households earning at or below 60% of AMI.

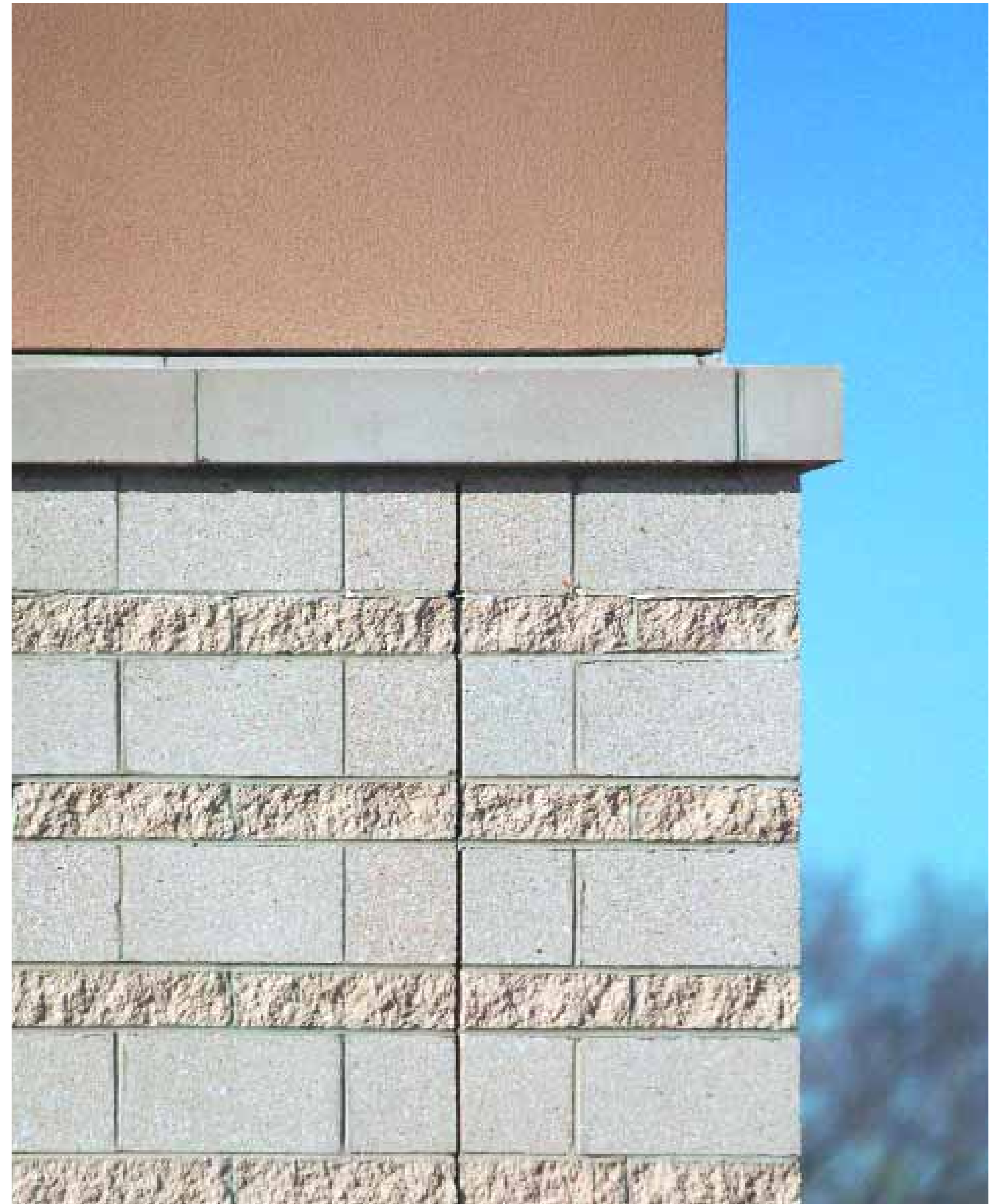
Future Activities

The outlook for Fiscal Year 2007 and beyond is very promising for the HFA. Boardmembers and staff are committed to working closely and collaboratively with public and private sector entities to increase the production and preservation of affordable housing and to ensure that low- and moderate-income individuals who wish to remain in or move to Washington can do so. Whether it is streamlining internal processes, creating innovative solutions, developing new programs or increasing financing options for developers and homebuyers, the HFA's staff and boardmembers are dedicated to making Washington affordable.

George Washington Carver Apartments

Arthur Capper/Carrollsburg





Galen Terrace

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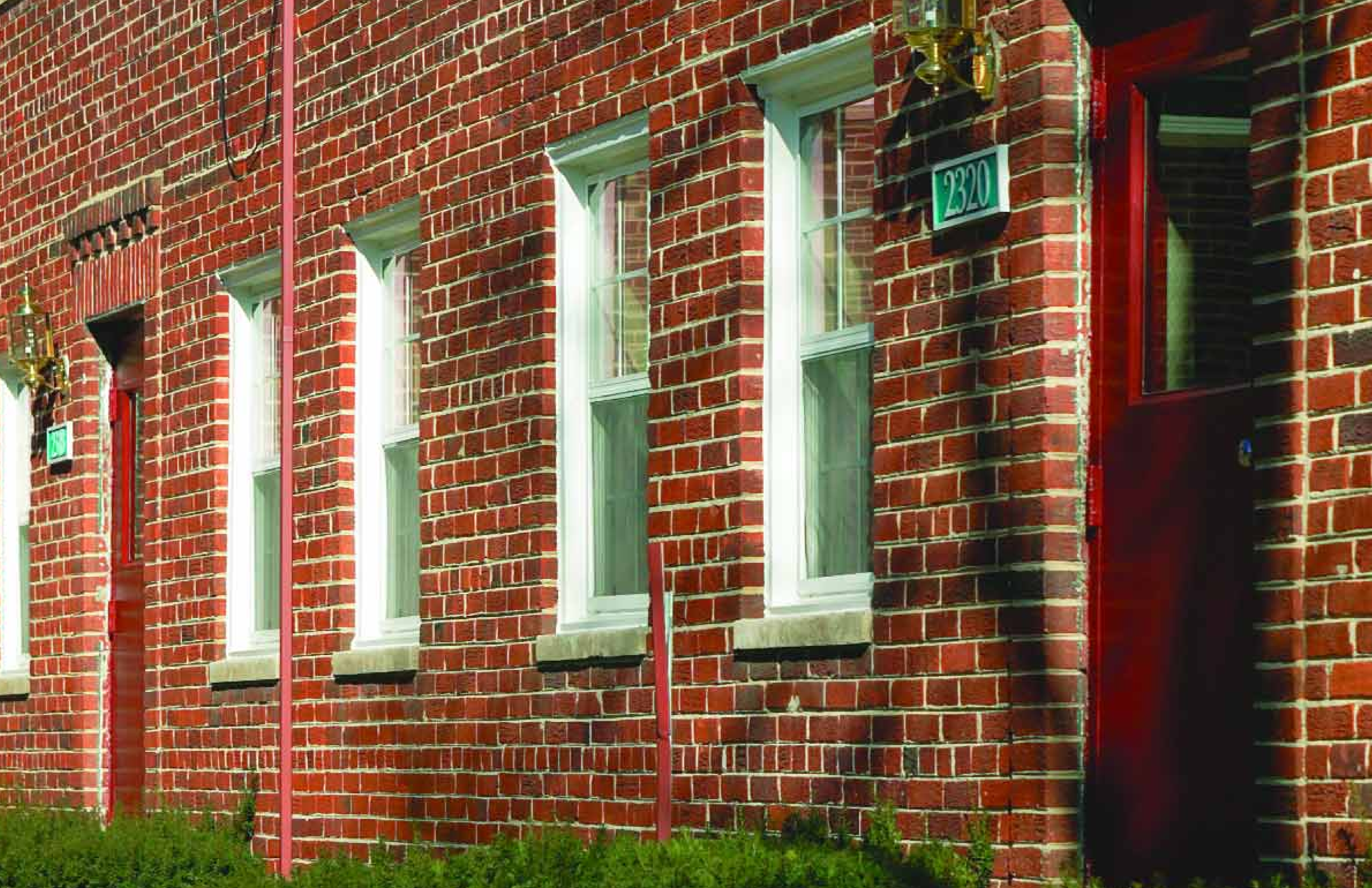
Garfield Hills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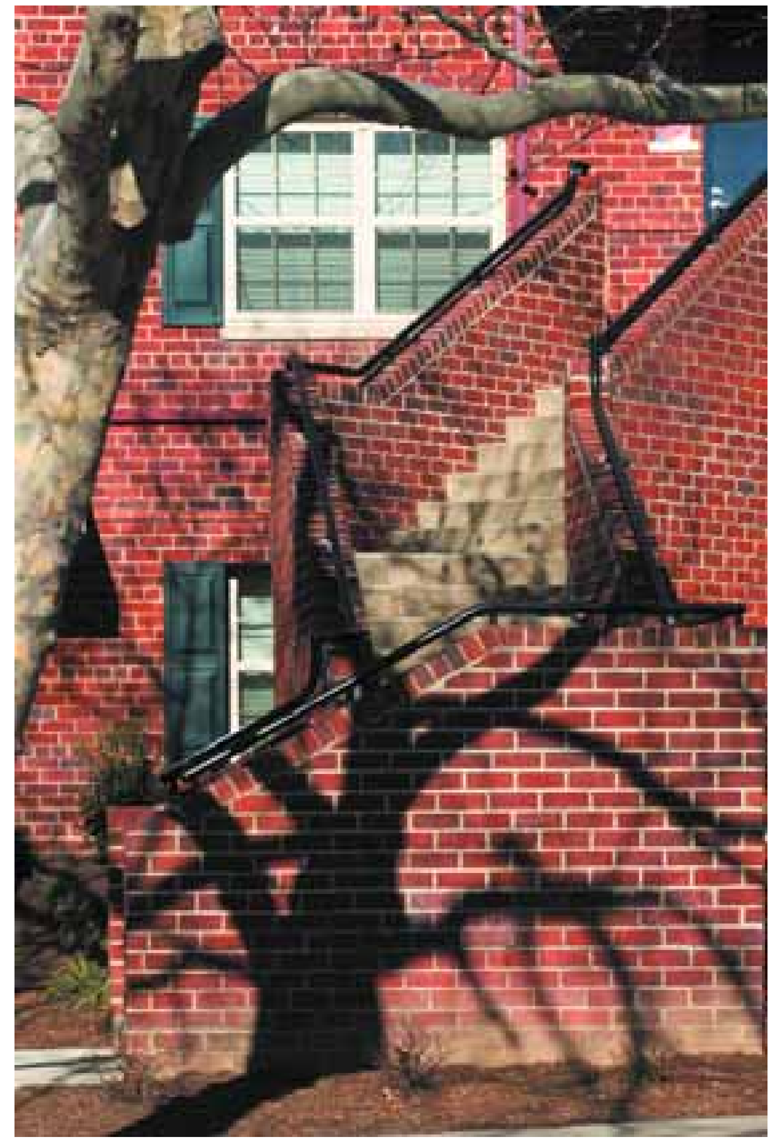
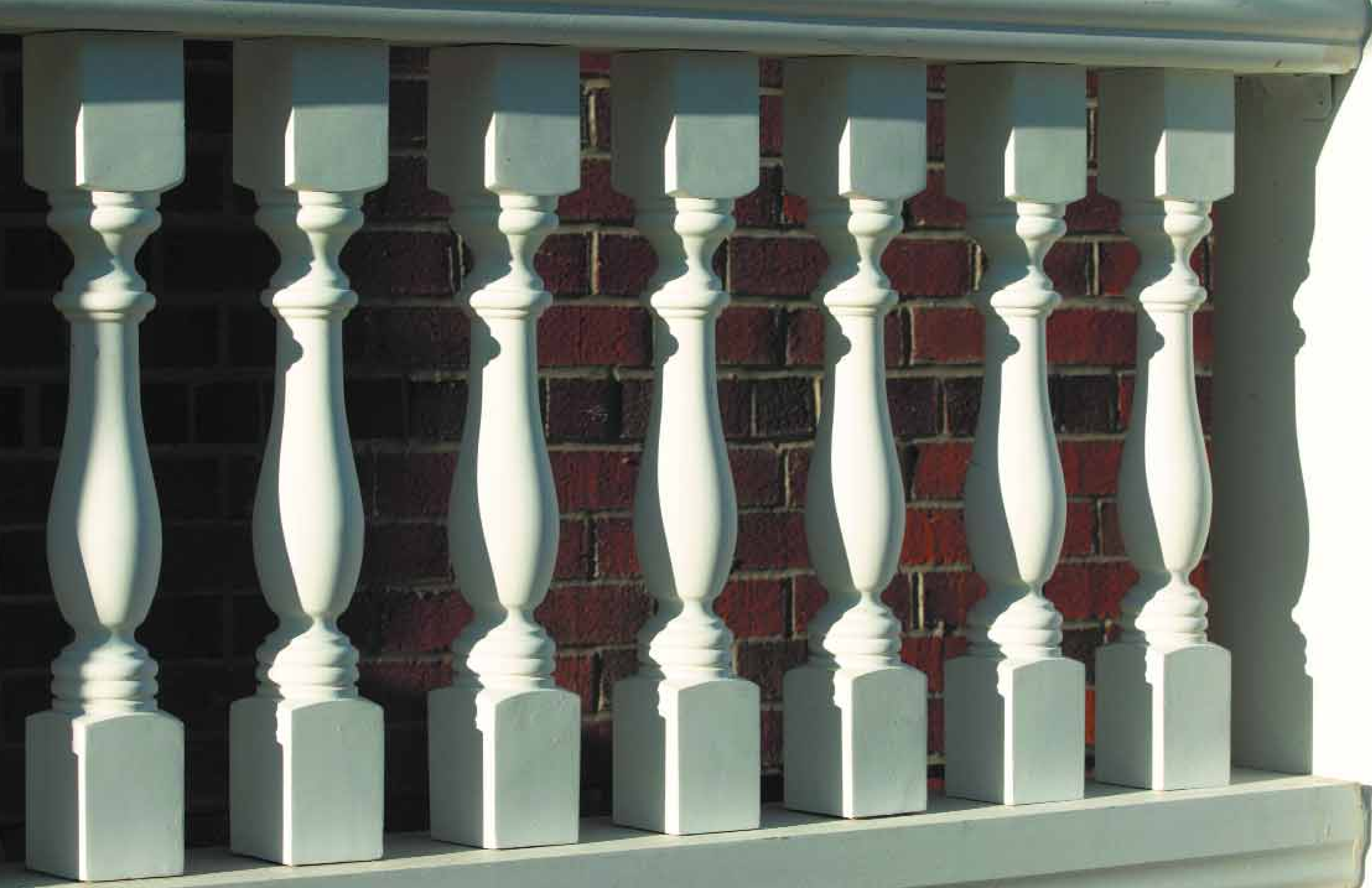


Hunter Pines Apartments

Triangle View



Golden Rule Apartments

George Washington Carver Apartments

Southview I & II Apartments

Independent Auditor's Report

We have audited the accompanying basic financial statements, as listed in the table of contents, of the District of Columbia Housing Finance Agency ("the Agency"), a component unit of the District of Columbia Government, as of and for the years ended September 30, 2006 and 2005. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 18, 2007, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements on pages 46 through 50 are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thompson, Cobb, Bazilio & Associates, P.C.

Washington, D.C.
January 18, 2007

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006 AND 2005

ASSETS	General Fund	Single-Family Fund	Multifamily Fund	DC Building Finance Corporation	2006	2005
CURRENT ASSETS						
Cash and cash equivalents	$19,938,715	$-	$-	$-	$19,938,715	$24,452,142
Restricted cash and cash equivalents	22,639,768	-	-	-	22,639,768	11,814,248
Accrued interest receivable	98,554	1,247,773	4,448,736	-	5,795,063	5,351,817
Other receivables	520,433	1,500	-	-	521,933	448,698
Total current assets	43,197,470	1,249,273	4,448,736	-	48,895,479	42,066,905
NON-CURRENT ASSETS						
Other assets:						
Investments	5,712,869	-	-	-	5,712,869	4,921,181
Loans receivable	-	-	140,000	-	140,000	140,745
Prepaids	273,489	-	-	22,348	295,837	289,922
Due from (to) other funds	2,715,357	(2,684,066)	(25,546)	(5,745)	-	-
Bond issue costs—net	-	2,600,184	13,108,857	79,782	15,788,823	15,615,055
Total other assets	8,701,715	(83,882)	13,223,311	96,385	21,937,529	20,966,903
Restricted assets:						
Cash and cash equivalents	-	5,504	79,857		85,361	83,151
Investments held in trust	877,603	314,719,082	259,966,566	263,039	575,826,290	484,129,631
Mortgage backed securities at fair value	-	74,495,073	128,897,374	-	203,392,447	204,535,869
Mortgage and construction loans receivable	-	2,471,203	421,738,751	-	424,209,954	367,710,580
Loans receivable	-	-	1,899,930	-	1,899,930	1,789,129
McKinney Act fund receivables	1,598,421	-	-	-	1,598,421	804,224
Other receivables	107,418	-	1,653,742	67,181	1,828,341	302,960
Total restricted assets	2,583,442	391,690,862	814,236,220	330,220	1,208,840,744	1,059,355,544
Capital assets:						
Land	-	-	-	573,000	573,000	573,000
Depreciable property and equipment	1,686,018	-	-	1,795,238	3,481,256	3,446,238
Leasehold improvements	1,127,040	-	-	-	1,127,040	1,122,042
Less accumulated depreciation and amortization	(2,143,241)	-	-	(544,849)	(2,688,090)	(2,439,583)
Total capital assets	669,817	-	-	1,823,389	2,493,206	2,701,697
Total non-current assets	11,954,974	391,606,980	827,459,531	2,249,994	1,233,271,479	1,083,024,144
TOTAL ASSETS	$55,152,444	$392,856,253	$831,908,267	$2,249,994	$1,282,166,958	$1,125,091,049
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$645,872	$16,426	$72,806	$208,777	$943,881	$791,334
Accrued salary and vacation payable	302,207	-	-	-	302,207	292,129
Deferred revenue	747,794	-	-	82,024	829,818	739,009
Current portion of bonds payable	-	30,645,000	2,670,000	-	33,315,000	4,000,000
Current portion of certificates of participation	-	-	-	115,000	115,000	110,000
Total current liabilities	1,695,873	30,661,426	2,742,806	405,801	35,505,906	5,932,472
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS						
Tenant subsidy funds	851,412	-	-	-	851,412	618,707
Escrow deposits	3,108,368	-	-	-	3,108,368	2,704,937
Deferred credits	10,457,169	6,150,000	48,727,187	-	65,334,356	28,480,594
Deferred revenue	-	577,423	4,204,150	-	4,781,573	6,130,090
Interest payable	-	2,378,016	8,379,060	28,848	10,785,924	10,441,021
Total current liabilities payable from restricted assets	14,416,949	9,105,439	61,310,397	28,848	84,861,633	48,375,349
NON-CURRENT LIABILITIES						
Loans payable	-	-	463,929	-	463,929	465,884
Bonds payable—less current portion	-	348,762,434	721,704,862	-	1,070,467,296	981,302,716
Certificates of participation—less current portion	-	-	-	1,525,000	1,525,000	1,640,000
Total non-current liabilities	-	348,762,434	722,168,791	1,525,000	1,072,456,225	983,408,600
Total liabilities	16,112,822	388,529,299	786,221,994	1,959,649	1,192,823,764	1,037,716,421
NET ASSETS						
Invested in capital assets—net of related debt	669,817	-	-	183,389	853,206	951,697
Restricted for:						
Bond Fund and Risk Share	1,926,182	4,326,954	45,686,273	106,956	52,046,365	52,178,035
McKinney Act Fund	7,934,190	-	-	-	7,934,190	7,431,008
Total restricted net assets	10,530,189	4,326,954	45,686,273	290,345	60,833,761	60,560,740
Unrestricted net assets	28,509,433	-	-	-	28,509,433	26,813,888
Total net assets	39,039,622	4,326,954	45,686,273	290,345	89,343,194	87,374,628
TOTAL LIABILITIES AND NET ASSETS	$55,152,444	$392,856,253	$831,908,267	$2,249,994	$1,282,166,958	$1,125,091,049

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDING SEPTEMBER 30, 2006 AND 2005

	General Fund	Single-Family Fund	Multifamily Fund	DC Building Finance Corporation	2006	2005
OPERATING REVENUES						
Mortgage-backed security income	$-	$2,152,985	$4,573,508	$-	$6,726,493	$8,293,054
Interest on mortgage and construction loans	-	204,439	19,580,067	-	19,784,506	18,679,962
McKinney Act revenue	500,137	-	-	-	500,137	537,170
Application and commitment fees	124,543	-	-	-	124,543	90,729
HUD Section 8 housing assistance receipts	12,534,868	-	-	-	12,534,868	12,727,925
Service project receipts	7,192,215	-	-	-	7,192,215	7,048,178
Other	5,440,605	278,743	7,406,132	208,927	13,334,407	13,712,861
Total operating revenues	25,792,368	2,636,167	31,559,707	208,927	60,197,169	61,089,879
OPERATING EXPENSES						
Operations	1,323,132	226,382	3,325,828	-	4,875,342	5,052,302
Personnel and related costs	3,801,585	-	-	-	3,801,585	3,568,871
Interest expense	-	18,958,053	34,708,146	90,097	53,756,296	37,534,745
Depreciation and amortization	182,017	-	-	66,490	248,507	257,111
Federal program payments	7,192,215	-	-	-	7,192,215	7,048,178
Housing assistance payments	12,534,868	-	-	-	12,534,868	12,727,925
Bond amortization	-	238,642	498,216	8,830	745,688	679,783
Trustee fees and other expenses	-	304,922	2,443,046	500	2,748,468	5,372,946
Total operating expenses	25,033,817	19,727,999	40,975,236	165,917	85,902,969	72,241,861
OPERATING INCOME (LOSS)	758,551	(17,091,832)	(9,415,529)	43,010	(25,705,800)	(11,151,982)
NON-OPERATING REVENUES						
Investment income	1,435,742	15,042,361	11,449,745	13,572	27,941,420	13,818,205
Excess (Deficiency) Of Revenue Over Expenses Before Extraordinary Item	2,194,293	(2,049,471)	2,034,216	56,582	2,235,620	2,666,223
Extraordinary Item - Loss On Extinguishment Of Debt	-	-	(267,054)	-	(267,054)	(83,926)
Change In Net Assets	2,194,293	(2,049,471)	1,767,162	56,582	1,968,566	2,582,297
Net Assets, Beginning Of Year	36,845,329	6,376,425	43,919,111	233,763	87,374,628	84,792,331
Net Assets, End Of Year	$39,039,622	$4,326,954	$45,686,273	$290,345	$89,343,194	$87,374,628

DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
COMBINING STATEMENT CASH FLOWS
YEARS ENDING SEPTEMBER 30, 2006 AND 2005

	General Fund	Single-Family Fund	Multifamily Fund	DC Building Finance Corporation	2006	2005
OPERATING ACTIVITIES						
Cash receipts from loans and interest	$6,584,024	$4,153,154	$54,088,649	$-	$64,825,827	$37,270,289
Other cash receipts	4,731,307	-	4,753,344	201,103	9,685,754	13,018,229
Cash payments to vendors	(938,166)	-	(3,558,248)	-	(4,496,414)	(1,661,173)
Cash payments to employees	(3,791,507)	-	-	-	(3,791,507)	(3,568,871)
Receipts of federal program income	19,727,083	-	-	-	19,727,083	19,851,532
Payments of federal program expenses	(19,724,125)	-	-	-	(19,724,125)	(19,776,102)
Other cash payments	(2,958)	(1,774,228)	-	(500)	(1,777,686)	(9,589,236)
Net cash provided by Operating Activities	6,585,658	2,378,926	55,283,745	200,603	64,448,932	35,544,668
CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of fixed assets	(40,017)	-	-	-	(40,017)	(68,699)
Payments of bonds and long-term debt	-	-	-	(110,000)	(110,000)	(105,000)
Payments of interest and charges	-	-	-	(91,875)	(91,875)	(96,968)
Net cash used in Capital Related Financing Activities	(40,017)	-		(201,875)	(241,892)	(270,667)
NON-CAPITAL FINANCING ACTIVITIES						
Funds disbursed for multi-family rehab	-	-	(2,082,275)	-	(2,082,275)	(36,359,283)
Proceeds from long-term bonds	-	376,916,574	182,450,000	-	559,366,574	167,290,000
Payments of long-term debt	-	(371,087,908)	(70,909,330)	-	(441,997,238)	(59,354,352)
Interest paid on bonds	-	(18,853,296)	(34,546,168)	-	(53,399,464)	(36,036,275)
Net cash provided (used) in Non-Capital Financing Activities	-	(13,024,630)	74,912,227	-	61,887,597	35,540,090
INVESTING ACTIVITIES						
Receipts of interest and dividends	1,429,022	15,042,361	11,449,745	13,572	27,934,700	12,541,973
Principal payments (purchases) on mortgage and construction loans	-	733,051	(61,634,256)	-	(60,901,205)	14,468,398
Sale of investments and mortgage-backed securities	23,738,341	540,561,996	138,862,484	-	703,162,821	481,062,632
Purchase of investments and mortgage-backed securities	(25,400,912)	(545,687,871)	(218,875,567)	(12,300)	(789,976,650)	(570,583,552)
Net cash provided (used) in Investing Activities	(233,549)	10,649,537	(130,197,594)	1,272	(119,780,334)	(62,510,549)
NET INCREASE (DECREASE) IN CASH	6,312,092	3,833	(1,622)	-	6,314,303	8,303,542
Cash at October 1	36,266,390	1,672	81,479	-	36,349,541	28,045,999
Cash at September 30	$42,578,482	$5,505	$79,857	$-	$42,663,844	$36,349,541
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	$758,551	$(17,091,832)	$(9,415,529)	$43,010	$(25,705,800)	$(11,151,982)
Interest Expense	-	18,871,353	34,708,146	90,097	53,669,596	37,534,745
Depreciation	182,017	(172,596)	498,216	66,490	574,127	257,111
Bad debt expense	-	-	-	-	-	6,740
Miscellaneous non-operating revenue	-	-	-	-	-	30,872
Decrease (increase) in assets						
Receivables	(170,289)	(481,869)	(454,665)	-	(1,106,823)	1,166,029
Other current assets	(709,298)	1,137,926	-	8,942	437,570	1,850,820
Loans receivables	745	-	-	-	745	(104,340)
Increase (decrease) in liabilities						
Payables	384,966	-	(232,420)	-	152,546	5,067,346
Accrued liabilities	10,078	-	-	-	10,078	(33,694)
Deferred revenue and credits	5,492,752	(68,759)	30,179,997	(7,936)	35,596,054	(136,317)
Escrow Deposits	403,431	-	-	-	403,431	445,222
Current liabilities and changes in mortgage loans	232,705	184,703	-	-	417,408	612,116
Net cash provided by operating activities	$6,585,658	$2,378,926	$55,283,745	$200,603	$64,448,932	$35,544,668

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FACING PAGES:
George Washington Carver Apartments

Mission Statement

The District of Columbia Housing Finance Agency was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. We accomplish our mission by issuing mortgage revenue bonds that lower the homebuyer's cost of purchasing and rehabilitating a home and the developer's costs of acquiring, constructing and rehabilitating rental housing. We embrace our responsibility with conviction and pledge our best efforts to serve as the city's champion for homeowners and renters and to act as the city's principal catalyst for neighborhood investment.

Vision Statement

We are committed to working cooperatively and closely with our housing partners to create attractive, stable and vibrant neighborhoods.

Contact Information

To learn more about the HFA's policies, programs and activities, please call (202) 777-1600 or log onto www.dchfa.org.

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