

by the District government with the intent to redevelop the 5,000 square foot theater for use as retail space in Ward 7.

2008-2016 Disposition Status

In 2008, The Washington Metropolitan Community Development Corporation (“Developer”) was selected through a competitive solicitation process to redevelop the Property. The Council initially approved of the Strand Theater disposition on October 6, 2009, the “Strand Theater Disposition Approval Resolution of 2009” (R. 18-263). At that time, the disposition would have facilitated a project that included Lots 801 and 805 on Square 5196. The District owned Lot 801 and Lot 805 was owned by the Washington Metropolitan Community Development Corporation. That project consisted of the restoration and conversion of the Strand Theater, as well as the renovation of the Developer’s property. The Strand Theater and the adjacent property would comprise a single structure that was 20,600 square feet of retail, incubator office and, a cultural community space. This iteration of the project estimated that the entire project would cost \$9.2 million, of which the rehabilitation of the Strand Theater would cost \$5.4 million.

In 2010, the Developer faced issues securing financing for the project due to market conditions, and stricter underwriting standards. This led to the scaling down of the project from its original 20,600 square feet proposal. On September 20, 2011 the Council approved the “Strand Theater Disposition Extension Approval Resolution of 2011” (R. 19-246), which provided a one-year disposition extension until October 6, 2012, to allow the Developer more time to secure financing. However, the Developer was once again met with delays caused by additional lending requirements, including that a retail tenant be secured prior to a financial commitment was made. That newest obstacle led to the Council approving yet another one-year disposition extension, until October 6, 2013, the “Extension of Time to Dispose of the Strand Theater Emergency Amendment Act of 2012” (D.C. Act 19-457). The Council approved three more subsequent one-year disposition extensions for this project in 2013 (D.C. Act 19-57), in 2014 (D.C. Act 20-394) and again in 2015 (D.C. Act 21-185), while the Developer cited continued difficulties in securing financing as the reasoning for each extension.

In September 2016, the Council approved of a 3-month disposition extension (D.C. Act 21-497), to allow time for a public hearing before considering a lengthier extension. This hearing was scheduled to give the Council an opportunity to discuss and overview the latest iteration of the project. Since the initial Strand Theater Redevelopment Plan approval in 2008, the Developer has formed a new partnership with the Warrenton Group and The NHP Foundation, and has created a new development program for the Property that would both address neighborhood needs of quality retail and community space, while also incorporating affordable housing, which was not a component of the original redevelopment plan for the Property.

New Communities Initiative

The new redevelopment plan is part of the New Communities Initiative (“NCI”). NCI aims to revitalize severely distressed subsidized housing and redevelop communities plagued with

concentrated poverty, high crime, and economic segregation. In keeping with the NCI guidelines, the Developer has been able to achieve an expanded program by working with adjacent Property owners to acquire sites to the west and south of the Property, thus significantly increasing the project footprint.

The Updated Redevelopment Project

The Property is now planned to include approximately 9,000 square feet of commercial space, including two ground floor retail bays, a small business incubator, community space, related parking, and ancillary improvements. The Property's approximately 53,000 square feet of residential space, equaling approximately 86 rental apartments, will be reserved for households with incomes at or below 60% of Area Median Income ("AMI"), including 28 replacement units for families currently living at Lincoln Heights and/or Richardson Dwellings ("Project").

The community, through advocates, the affected ANC, and the Ward 7 Councilmember, has expressed support for the revised Project and for including the 86 residential units, all of which will be affordable. Additionally, the 28 replacement units that will be brought online through this Project will prevent the displacement of families currently living at Lincoln Heights and/or Richardson Dwellings, while allowing the District to clear the portion of the Lincoln Heights site slated for the first round of on-site demolition and redevelopment under the NCI.

Under a separate Development Financing Agreement negotiated by the District with the Developer, this Project is required to obtain approval of a Planned Unit Development application by November 15, 2017, close on the land and financing by September 25, 2018, complete construction by April 1, 2020, and complete lease-up of the residential units by October 1, 2020.

Project Budget/Gap Financing

The District will provide financing for a portion of the predevelopment, construction, and development costs for the 86 units of affordable housing, related parking, and other improvements to the parcel adjacent to the Strand Theater. The budget for the entire Project is expected to cost \$28.7 million, which includes both the rehabilitation of the Strand Theater and construction of the affordable housing units. The cost to rehabilitate the Strand Theater alone is now estimated at \$3 million. The Development Financing Agreement will fund \$9.9 million dollars of the \$28.7 million required for the affordable housing component of the project. The remainder of the funding will be provided by developer equity, developer debt in the form of a commercial and permanent loan, Historic Tax Credits, and 4% Low Income Housing Tax Credits ("LIHTCs").

The Developer needs additional time to meet the pre-closing obligations. These obligations require the Developer to apply and be approved for a Planned Unit Development for the Project, complete construction drawings, apply and secure a building permit from the Department of Consumer and Regulatory Affairs, and secure all financing for the project, including 4% LIHTC. Therefore, Bill 21-658 provides an extension to the District's disposition authority for the Property until December 10, 2018, allowing the Developer an additional two years to close.