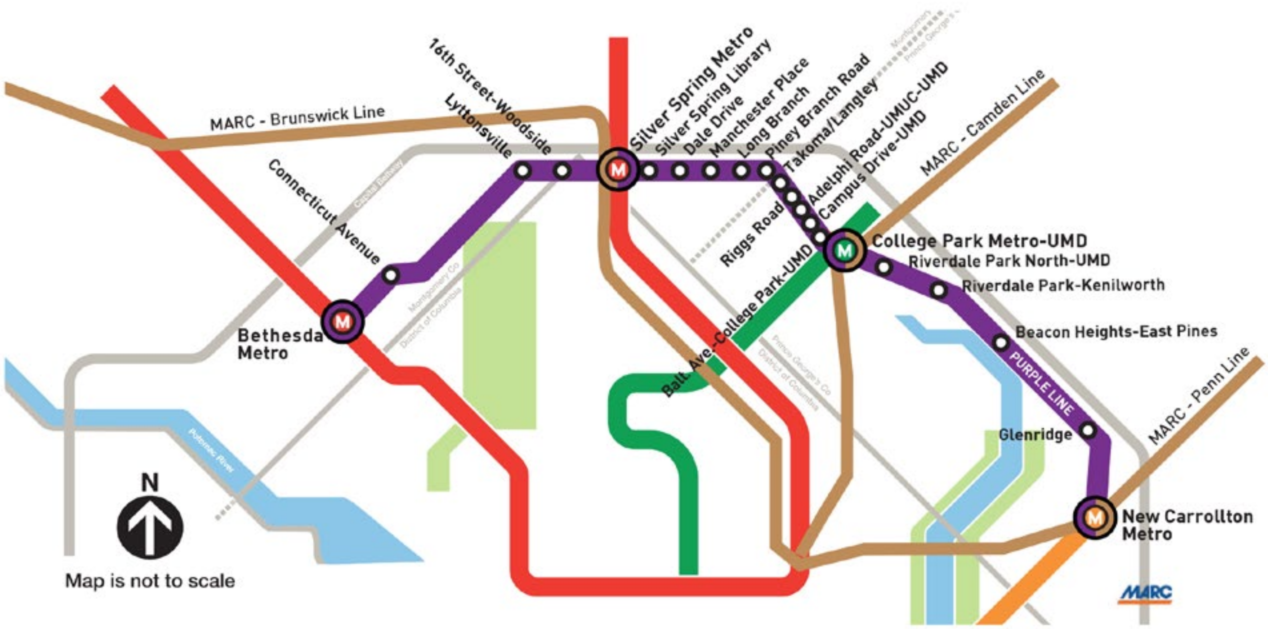
Preserving Affordable Housing Along the Purple Line Corridor in Washington, DC's Maryland Suburbs

CASE STUDY

In Washington, DC's Maryland suburbs, a new transit line is slated to go through several low-income communities. Anticipating an increase in property values and rising rents when the line is completed, a wide coalition formed in 2013 to, among other things, preserve the area's existing affordable housing stock. With the addition of Kaiser Permanente, a member of the Center for Community Investment's Accelerating Investments in Healthy Communities initiative, the group developed a goal to preserve or create 17,000 affordable homes on the corridor.

This goal required a multipronged strategy. The coalition hired a coordinator to develop and support the area's affordable housing pipeline; she has assisted local developers, municipalities, and faith communities to identify, finance, develop, and preserve housing affordable to residents with incomes below the area median. By the end of 2022, the coordinator was working on a development and rehab pipeline comprised of over 1,000 homes at various stages from concept to finance application; nearly 900 more homes had already been financed by the coalition's fund, which had invested $8.8 million.

Meanwhile, consultants and county staff identified a dormant law that would give Prince George's County the right of first refusal to acquire affordable multifamily projects that are about to change owners. Over the last several years, they have honed the policy, assembled a pool of developers who might purchase properties, and created a fund to support those developers. The county first implemented the policy in 2021 and has since preserved over 1,200 affordable units.



Purple Line Transit Map https://www.purplelinemd.com/about-the-project/project-maps

CONTEXT

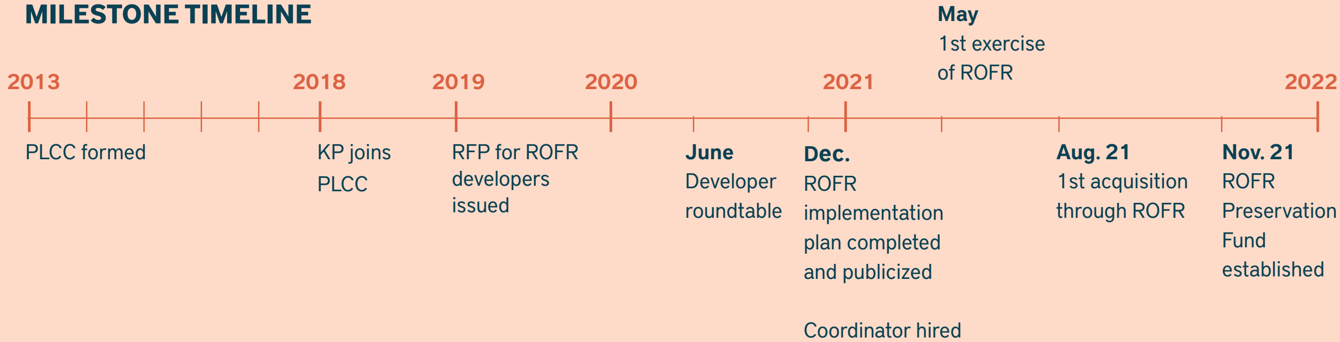
Maryland's Purple Line is a 16-mile light rail line that will connect communities in Prince George's County and neighboring Montgomery County, both suburbs of Washington, DC. First envisioned in the 1980s, the project finally got the green light from the state's governor in 2009, and construction began in 2017. After numerous delays, the line is currently slated for completion in 2027.

That long gestation period has allowed analysts and concerned stakeholders to consider the potential effects of the new transit line on surrounding communities–and to form a plan of action and get to work.

Many of the neighborhoods along the Purple Line corridor, particularly in and near Prince George's County, are communities of color, where the housing stock is old, and a sizeable proportion of residents are undocumented and/or have low incomes. As specifics about the Purple Line began to come into focus a decade ago, advocates examined the effects of new transit lines around the country and realized that those neighborhoods and their naturally occurring affordable housing could be seriously threatened by spiking land values, gentrification, and displacement.

The University of Maryland's National Center for Smart Growth established the Purple Line Corridor Coalition (PLLC) in 2013 specifically to anticipate and prevent displacement. The public-private coalition includes representatives of state and local government, nonprofits, foundations, and businesses. The organization works on several fronts, including job creation and support for locally owned businesses; preserving affordable housing has been a key focus area from the beginning.

MILESTONE TIMELINE



"You really need to start early if you want to get ahead of what we see happening in the DC region and beyond," current PLCC director Sheila Somashekhar told a *Washington Post* reporter in 2021. Some of the communities along the line's planned route, she added, are "the last bastions of affordability in our region."

In 2017, the group persuaded leaders of both Prince George's County and Montgomery County to sign a public commitment to preserve affordable housing and create jobs along the Purple Line corridor. At the time, however, the coalition was largely focused on advocacy; it had little funding and no dedicated staff.

KAISER PERMANENTE BRINGS ENERGY AND RESOURCES

That changed when Kaiser Permanente, whose regional headquarters lie at the end of the Purple Line in New Carrollton, joined the PLCC in 2018. Kaiser's involvement was part of the institution's engagement in Accelerating Investments for Healthy Communities (AIHC), a three-year initiative of the Center for Community Investment (CCI) developed with support from the Robert Wood Johnson Foundation (RWJF). AIHC was designed to help participating health systems strategically invest their assets to preserve or produce affordable housing by convening local partners, setting ambitious goals, and leveraging their skills, resources, and relationships.

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In this case, Kaiser didn't need to create a new platform for collaboration, as the PLCC already existed. The institution joined the group, where it could lend its connections, position as an important employer, and resources to help the coalition achieve its goals.

"Kaiser Permanente has been a real leader," said Maryann Dillon, executive director of Housing Initiative Partnership, a housing developer and counseling agency in Prince George's County, who has been involved in the PLCC since its early years.

Heading up Kaiser's work with the coalition was George Leventhal, a former Montgomery County Council member who now directs Kaiser's regional community health division. Leventhal helped catalyze the evolution of the PLCC's Housing Action Team into the dynamic Housing Accelerator Action Team (HAAT) that spent 2019 developing a housing action plan for the corridor.

Based on several rounds of discussions with local government staff, real estate developers, civic organizations, and area residents, the HAAT released a comprehensive plan that December. The report estimated that of the 170,000 people living within a half mile of the Purple Line, 47 percent of renters were rent-burdened (paying more than 30

KEY PRIORITIES

1. Stronger protections for existing residents.
2. Grow and align housing funding to prioritize the Purple Line.
3. Accelerate strategic acquisition and redevelopment opportunities.
4. Help current homeowners rehab and remain in their houses.
5. Expand opportunities for current renters to be able to purchase a home affordably.
6. Reduce the barriers to developing mixed-income neighborhoods.
7. Preserve and modernize smaller rental properties.
8. Prioritize coordinated action and improved communication in the Takoma-Langley Area.
9. Market and coordinate across Purple Line jurisdictions to attract private investment.
10. Foster collaborative culture and leadership.
11. Hold ourselves accountable.
12. Research critical housing issues and emerging trends.

percent of their income for housing), and 17,000 local homes were at risk of being lost to market forces.
In response, the plan outlined 12 key recommendations. The top priorities were expanding protections for current residents, preserving existing affordable housing and developing new units, and growing a funding stream to support those efforts. The ultimate goal was to ensure that 17,000 housing units remain or become affordable to households earning up to 60 percent of the area median income (AMI).

IMPLEMENTING THE PLAN

Now that it had a plan, the coalition needed help to implement it. Through its participation in AIHC, the team had access to funding which it used to hire a housing development coordinator who was responsible for developing and advancing the set of development and preservation deals that made up the corridor's pipeline.

Vonnette Harris, a consultant with a housing development background spanning public and private sectors, took the position at the end of 2020. Harris's knowledge and experience have been critical; the job requires a deep understanding of real estate development, the ability to communicate well with a range of stakeholders, as well as energy and flexibility.

"The Housing Action Team realized that although people had bought into their vision, they needed someone to implement it–someone with boots on the ground who would get to know the players in the community to accelerate the development process," she said.

Harris regularly communicates with a range of local stakeholders, including developers, nonprofits, property owners, lenders, and brokers. She also provides technical support to many different groups–helping to develop concept strategies, prepare funding applications, and identify community engagement plans–that has so far shaped transactions that can potentially finance almost 1,150 units of new or preserved housing..

Building relationships with local real estate developers has been a critical part of Harris's work. Six months after she joined the coalition, Harris convened a roundtable discussion that drew over 60 developers. The event updated attendees about the Purple Line's construction progress, and Harris spoke about the corridor's assets and promise. Since then, she's met with numerous developers to understand their work and offer herself as a resource. This has helped her learn about the obstacles standing in their way and begin to engage them in achieving the coalition's goal by suggesting underutilized parcels they might consider or pointing out opportunities for synergy with other projects.

Supporting specific projects has also been one of Harris's priorities. The city of Takoma Park had long been interested in redeveloping a recreation center that sits near a future Purple Line stop. In 2021, Harris talked city staff through their options and eventually helped them complete an application for state funding to include over 100 new homes for families at or below 80 percent of AMI in the redevelopment project.

Harris also supported a group of Takoma Park tenants who wanted to exercise their right to purchase the building they lived in. She brought together a range of practitioners, including city staff and PLCC members, to assist the residents with the purchase. Then she worked with other partners to help them identify funding to renovate the property.

Building on efforts started by Enterprise Community Partners, a member of the PLCC's steering committee, Harris has reached out to faith-based communities that own properties on the corridor to discuss their plans for the sites. Real estate development can be a foreign, opaque field; Harris has used her expertise and relationship-building skills to provide guidance about how to navigate the process to diverse stakeholders who are now making meaningful contributions to the corridor's future.

Harris's work has benefited from a revolving loan fund, the PLCC Capital Pool, that the HAAT created in 2020. With a $1.5 million program-related investment (PRI) to the National Housing Trust Community Development Fund from RWJF and $5 million from Kaiser Permanente, the Capital Pool offers developers acquisition, predevelopment, and construction financing to move their projects along more quickly. JPMorgan Chase and Sandy Springs Bank have also provided funds.

By the end of 2022, the fund had invested $8.8 million, with another $2.3 million scheduled to be deployed by early 2023. The PLCC had preserved or produced 861 units of housing through the fund, with an active pipeline of an additional 1,600 units scheduled to receive funding from the Capital Pool.

DORMANT "RIGHT OF FIRST REFUSAL" LEGISLATION: THE ZOMBIE POLICY

While Harris was focusing on the affordable housing pipeline, CCI staff and consultants were examining the area's enabling environment.

One of those consultants, Michael Bodaken, focused his energies on a piece of housing-related legislation that the county had passed in 2013 but never activated. It was a "right of first refusal" (ROFR) policy that gave the county the option to buy a rental property of over 20 units immediately after the current owner entered into a purchase agreement with a potential buyer. This meant that if the owner of a large multifamily building put their property on the market and received an offer, the county could buy it–at the market price–and ideally keep residents in their homes, preempting buyers who might redevelop the property and displace them.

The Right of First Refusal policy gave the county the option to buy a rental property of over 20 units immediately after the current owner entered into a purchase agreement with a potential buyer.

Dillon, Housing Initiative Partnership's executive director, had formerly worked for Montgomery County, where she was responsible for its ROFR policy. "Montgomery County has used it very selectively and strategically over many years," she said. "It was a rare thing to actually exercise." It's a tool that can be extremely useful to a local government looking to preserve housing. The existence of the law–and the threat of its exercise–can help the county negotiate with potential buyers to protect affordability and the rights of existing tenants.

However, although Prince George's County had enacted the law, lawmakers and staff had never developed procedures for actually using it. "I thought it might be an interesting thing to resurrect," said Bodaken.

After years of indifference toward affordable housing, Prince George's County policymakers had begun to realize that the new transit line could bring significant gentrification, and had warmed to efforts to prioritize lower-cost housing. The county's Department of Housing and Community Development (DHCD) was interested in utilizing the policy, but didn't want to buy and own properties itself. So Bodaken worked with the county attorney to ensure that the policy would allow DHCD to transfer eligible properties to interested developers who would purchase them.

Simultaneously, Bodaken and other CCI consultants helped DHCD create a roster of interested affordable housing developers that the county would maintain. If a property came on the market that might be a good candidate for the ROFR policy, having an existing, vetted group of potential buyers would facilitate and speed up DHCD's ability to invoke it. By early 2020, the roster included 12–15 qualified developers, both for-profit and nonprofit.

OPERATIONALIZING THE POLICY AND FUNDING DEVELOPERS

The county still wasn't sure how to implement the ROFR policy. In response, with support from the AIHC initiative, DHCD hired a consultant with deep expertise in the housing field to create a roadmap for the county, a guide that would outline to staff members exactly how to use the policy.

"I came on to create the program's framework and operationalize it," said John Maneval, the consultant. That was critical, because when a property comes up for sale, DHCD has a very short window of time to decide whether it's interested. Agency staff use specific criteria to make that decision: the property must be located within one mile of the Purple Line corridor, home to at least 20 percent of renters earning up to 80 percent of AMI, and targeted as high priority for preservation by Enterprise Community Partners.

In December 2020, county officials launched the new policy. The County exercised its right in the spring of 2021, leading to a negotiation with the purchaser that led to an agreement to preserve the affordability of all 36 units in the project for a 15-year period. In August 2021, DHCD invoked its right again for Hamilton Manor, a 245-unit multifamily property in Hyattsville that was owned by Kushner Companies. The firm had put the building up for sale, and DHCD flagged it to the pool's developers. A nonprofit developer in the pool, National Housing Trust Communities, bought it, in partnership with the Washington Housing Conservancy. As a result, 184 units were preserved as affordable for a 20-year period.

Maneval and DHCD staff had always known that for the policy to be fully effective, the county would need to provide supplemental funding to developers. Property values near the Purple Line's planned route were already rising, and some developers would need assistance in purchasing properties. Others might require help funding the extensive renovations that many of the older properties would require; unlike market-rate developers, ROFR developers wouldn't be able to cover their redevelopment costs with higher rents.

When American Rescue Plan Act funding became available in 2021, DHCD, the PLCC, and other housing-related organizations advocated for a portion of the county's allocation to be directed toward affordable housing. The department was ultimately granted $15 million. That money became seed capital for the Right of First Refusal Preservation Fund, launched in November 2021, which provides flexible subordinate loans for properties acquired under the ROFR policy. Funds can be used for acquisition, rehabilitation, and operation of rental properties. With initial funds in place, DHCD was able to persuade the state of Maryland to allocate another $10 million.

DHCD's new director, Aspasia Xypolia, emphasized that the fund has been critical in helping developers take advantage of the ROFR initiative. "This is different from other affordable housing programs–we're asking developers to participate in a different way," said Xypolia. She explained that because the program is pushing against powerful market forces, the additional public funds are vital. "There's no way we'll succeed unless we really leverage our resources well with the private sector," she said.

Our goal is to preserve affordability in the area while improving the living conditions and quality of life for our residents over time.

TANGIBLE IMPROVEMENTS

Since the policy was relaunched in December 2020, DHCD has exercised its right of first refusal 25 times. As of February 2023, six properties have been purchased, with a total of 1,213 units preserved for affordability. Interest among the developer community has greatly expanded, and the ROFR roster has grown to 28 developers.

Like Dillon, Maneval pointed out that the ROFR tool isn't meant to be used frequently. "The county sees lots of properties under this program and the vast majority aren't purchased. They're not a priority," he explained. Plus, the developers in the pool aren't always in a position to quickly pivot and make a purchase. Still, he said, the results so far are significant: "It's enough to make a meaningful impact in the county."

The most dramatic example of the policy's usefulness can be seen in the Prince George's community of Langley Park, home to many immigrants from Central America and located close to the planned Purple Line. Bedford Station and Victoria Station are two adjoining garden-style apartment communities that hold 587 naturally-occurring affordable units. Owned by the publicly traded real estate investment trust company Arbor Realty, the units had been neglected and fallen into extreme disrepair.

"They were really shocking," said Dillon. "I've seen a lot of bad properties in my 30 years, but nothing as bad as that." However, many of the people living in the units were undocumented and scared to complain. Meanwhile, rents were escalating.

In 2021, residents had had enough. With the help of the advocacy organization CASA de Maryland, a PLCC member that has long focused on housing and gentrification along the planned transit route, they launched a rent strike, then sued the landlord. Their activities were widely covered in local media.

In response, the HAAT established a Distressed Properties working group that created a set of recommendations for dealing with rundown rental properties like those. Combining the insights and external pressure provided by community advocates with the expertise that Harris and the HAAT could offer, the report was a roadmap the PLCC could use when talking to local government staff and policymakers.

In this case, it had real benefits. "Our study likely encouraged activists to pressure [Arbor Realty] further," said Dillon, a member of the working group.

Eventually, due in part to political pressure and negative publicity, Arbor Realty put the property up for sale. When it became a ROFR option, the county passed it to an affordable housing developer, the DC-based Jair Lynch Real Estate Partners, which bought it in May 2022.

Jair Lynch already has a portfolio of affordable properties throughout the region, including The Villas at Langley a half mile away. The company plans to strategically renovate the Bedford and Victoria buildings to ensure that residents aren't displaced, even temporarily. The property will be mixed income, but 441 units will be affordable to people earning less than 60 percent of AMI.

“Ultimately, our goal is to preserve affordability in the area while improving the living conditions and quality of life for our residents over time,” said Phuc Tran, vice president of asset management for Jair Lynch.
For residents, the new owner–and the program that’s allowing them to remain in place even as the area changes–marks a boost in their quality of life. “We are looking forward to these renovations,” said Jesus Gonzalez, a tenant. “If I had to leave to another area, it wouldn’t be the same. In this community of Langley Park is a large number of Spanish speaking people, which makes us feel happy, being able to easily communicate with our neighbors. The buses, stores, and schools are all close.”

The ROFR policy has been a win for local housing advocates. But Xypolia points out that the most important ingredient has been timing.

“Five to seven years from now, when rents have escalated more, there will be no value to this–there won’t be anything to preserve then. Once that housing becomes unaffordable, it’s too late,” she explains. “The window of opportunity is now.”

The effort to prevent displacement of residents along the Purple Line Corridor demonstrates the power of cross-sector collaboration to achieve ambitious goals. By working together to articulate shared priorities, identify opportunities to preserve and develop affordable housing, build a pipeline and aggregate capital to finance the transactions, and strengthen the enabling environment by activating an existing but dormant policy lever, the HAAT was able to make considerable progress over a five-year period, helping to push back against the pressures of gentrification.

About the Center for Community Investment

The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and JPMorgan Chase & Co, and The California Endowment.

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