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April 21, 2015

Lloyd Jordan, Chairperson
Board of Zoning Adjustment
441 4th Street, NW
Suite 210S
Washington, DC 20001

Re: Application No. 18915 – 1330 Pennsylvania Avenue
Supplemental Submission of the Applicant

Chairperson Lloyd Jordan and Honorable Members of the Board:

On behalf of the Applicant, Aminta, LLC, enclosed please find the Supplemental Submission for the above-referenced application. At the conclusion of the hearing on April 7, 2015, the Board requested the additional documents provided herein. A continued hearing was scheduled for April 28, 2015.

In light of comments from the Board at the hearing, the Applicant has worked with its architect to evaluate any and all alternative scenarios, and has consulted a professional local real estate broker. In addition to what was presented before the Board on April 7, 2015, the following submission provides additional evidence of financial hardship resulting in practical difficulty necessitating the requested FAR relief.

A. A Partial Fourth Floor Is Not Viable

The proposed project (the "Project") requests a FAR variance of 0.5 above the permitted 3.0 FAR with an IZ unit. As explained in the Pre-hearing Statement and at the hearing, constructing the building to the maximum permitted FAR of 3.0 would result in a partial fourth floor. At the hearing, the Board asked the Applicant if he had considered other designs that included a partial fourth floor. In response to the Board's comments, the Applicant and the project architect, Jeff Goins, have reviewed several alternative designs, and as was initially stated, a partial fourth floor is not viable because it increases the Project's already high core factor, creating a floor with very limited usable square footage. A partial fourth floor also presents serious design challenges, as that floor would have a core factor of 50%.

As stated at the hearing by Mr. Goins, the inability to construct a partial fourth floor is a direct result of the small size of the lot, triangular shape, and resulting design difficulties associated with the high core factor. While a typical newly-constructed residential building in Washington, D.C. has a maximum core factor of 20%, the core factor of the Project is 26%[1]. The requested 0.5 FAR variance relief would provide an additional 1,984 square feet, but <u>only half of that is usable</u>; the remainder is devoted to stairs, hallway access, and the elevator shaft. The Applicant has therefore requested the minimum FAR relief reasonably necessary to avoid the need to construct a physically impractical and inefficient partial floor.

B. A reduction in FAR would eliminate the IZ unit and would result in seven unsaleable units

Complete removal of the top floor, which would result in 2.5 FAR, is the only alternative scenario for reduced FAR. With 2.5 FAR, the Applicant would only be able to provide 7 units instead of the proposed 10. In addition to the evidence in the record regarding the practical difficulty directly associated with the shape of the property and inability to effectively design a useable floor plate without a high core factor, the removal of the entire fourth floor and /or a reduction in the FAR would result in the elimination of the Project's affordable IZ unit. Space for an IZ unit does not exist at this Property if there are only three-stories. Therefore, the denial of the requested FAR variance actually results in an elimination of the greatly needed IZ unit and a total reduction of the FAR to 2.5.

Moreover, without the requested FAR relief, the construction of only 7 units would result in a commercial to residential ratio that exceeds the applicable federal underwriting guidelines for mixed-use residential condominium units. At the hearing, the Board expressed concern over the lack of information regarding the financial feasibility of the proposed project with fewer units. The Applicant includes with this Supplemental Submission documentation of the Freddie Mac requirements for purchasing a condominium unit in a mixed-use property. The Freddie Mac requirements provided in this submission directly respond to the Board's concern. Specifically, Freddie Mac deems a mixed-use property in which more than 25% of the total square footage is commercial space to be ineligible for conventional financing. *See*, <u>Exhibit A</u>. Freddie Mac/Fannie Mae back 90% of home loans in the United States. Without the possibility of obtaining a loan that can be backed by Fannie Mae or Freddie Mac, the units would be unsaleable.

Compounding matters, ineligible projects typically require prospective buyers to obtain boutique portfolio financing; those programs often require 20% down, as compared to 3.5% down for FHA or 5% down for Fannie Mae- and Freddie Mac- backed loans. *See*, Mortgage Broker Letter at <u>Exhibit D</u>. A majority of buyers do not have tens of thousands of dollars in

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[1] In the Pre-hearing Statement, the Applicant states that the core factor is 27%. The core factor is actually 26% with bay projections included in the calculation.

disposable income needed for a down payment on a property in Washington DC. Elimination of 90% of prospective buyers drastically impacts the marketability of the Project and creates a clear practical difficulty for the Applicant.

C. *The marketability of a project is a factor the Board may consider when reviewing a request for variance relief*

The financial feasibility and marketability of the proposed project without the requested variance relief is dire. Financial feasibility does not simply refer to the cost of construction, but also includes the marketability of a project and the cost of maintaining a property. The market analysis provided by Ty Voyles, a real estate expert specializing in the Capitol Hill neighborhood, demonstrates why the Property with fewer than 10 units would result in an economic hardship to sell (and resell) condominium units due to expected maintenance fees far above industry standards. *See*, Real Estate Expert Letter at Exhibit B.

The marketability of units, as with the rate of return for a prospective use, relates to the economic and financial feasibility of a project- a factor the Court of Appeals has repeatedly stated may constitute an unnecessary burden or practical difficulty. In, *Tyler, et. al. v. District of Columbia Bd. of Zoning Adjustment*, the Court of Appeals eliminated any doubt that "economic use of property may be properly considered as a factor in deciding the question of what constitutes an unnecessary burden or practical difficulty in area variance cases." 606 A.2d 1362 (D.C. 1992)(internal citations removed)(*Gilmartin v. District of Columbia Bd. of Zoning Adjustment*, 579 A.2d 1164, 1171 (D.C. 1990)(Reiterating in the context of an area variance that "increased expense and inconvenience to applicants for a variance are among the proper factors for BZA's consideration."). The case law clearly supports the inclusion of marketability as a factor for the BZA to consider when evaluating the financial feasibility of a project needing an area variance.

In *Downtown Cluster of Congregations v. District of Columbia Bd. Of Zoning Adjustment,* 675 A.2d 484 (D.C. 1996), the Court upheld BZA approval of a use variance to allow conversion of a building formerly occupied as a department store to mixed-use office based on the Board's findings that with the requested zoning relief the applicant would receive only an annual rent equivalent to a 9% return on investment when without zoning relief, the applicant would yield a 6% return on investment. The marketability of a project and the return on investment are inextricably linked. The proposed project without the FAR relief requested would result in an unmarketable condominium causing the project to be financially imprudent.

D. *No Substantial Detriment to Public Good or Inconsistency with Zone Plan*

There will be no substantial detriment to the public good and no substantial impairment to the intent, purpose, and integrity of the Zone Plan by approving the zoning relief. The proposed Project allows a successful neighborhood restaurant to remain in its existing location while providing a much-needed update to the existing commercial space. Furthermore, the proposed Project provides 10 additional residential units, including space for affordable residential space, in a transit-orientated location near the Potomac Ave Metro. The Property has a walk score of 91 and is considered a walker's paradise.

The Project has received overwhelming community support. In January, the Applicant presented twice to the ANC 6B Planning and Zoning Committee ("CDC"). On January 13, the Applicant presented to the full ANC 6B, which voted unanimously to recommend support for the project. The Applicant has obtained 154 signatures in support of the Application. Without the requested FAR relief, this greatly desired mixed-use project is simply not viable.

In response to the Board's questions and request, the Applicant has included with this Supplemental Submission the following documents and will be prepared to present additional witness testimony if necessary:

Exhibit A: Freddie Mac Guidelines: Special Requirements for Condominiums
Exhibit B: Ty Voyles, Real Estate Expert Opinion Letter
Exhibit C: Ty Voyles, Resume
Exhibit D: Christopher Cox, Mortgage Broker Opinion Letter

Thank you for your attention to this matter.

Sincerely,

GRIFFIN, MURPHY,
MOLDENHAUER & WIGGINS,
LLP

Meridith Moldenhauer /JA

By: Meridith H Moldenhauer

Enclosures:
Cc: Advisory Neighborhood Commission 6B
c/o Kristen Oldenburg, Chair (via email)
Single Member District 6B06 Representative, Nick Berger (via email)
Office of Planning (via email)
Cliff Moy, Board of Zoning Adjustment (via email)

EXHIBIT A

Freddie Mac Single Family / Single-Family Seller/Servicer Guide, Bulletins and Industry Letters / Single-Family Seller/Servicer Guide, Volume 1 / Chs. 39-45: Property Eligibility / Chapter 42: Special Requirements for Condominiums / 42.3: Ineligible projects (04/09/15)

REVISION HISTORY 10/15/14 [HIDE]

REVISION NUMBER: 10152014 **DATE:** 10/15/2014
REVISION REMARKS: THIS CONTENT HAS CHANGED. CURRENT REQUIREMENTS APPEAR UNSHADED BELOW.

42.3: Ineligible projects (Effective: 10/15/14)

Mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac:

(a) Project required to be registered with a federal or State securities agency

Any project that is required to be registered with the U. S. Securities and Exchange Commission or any State securities agency, regardless of the project type.

(b) Hotel/Resort Projects

A Hotel/Resort Project is a project that is operated as a hotel, resort or other type of hospitality entity or that has any of the characteristics or services described in Section 42.10(b).

Freddie Mac's determination that a project is a Hotel/Resort Project is conclusive.

For further instructions on determining whether a project is a Hotel/Resort Project, see Section 42.10(b).

(c) Project with multi-dwelling units

A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.

(d) Project with non-incidental commercial space

A project in which more than 20% of the total square footage of the project is used for non-residential or commercial purposes.

(e) Tenancy-in Common apartment project

A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.

(f) Timeshare project or project with segmented ownership

A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five years.

(g) Houseboat project

A project comprised of boats that have been designed or modified to be used primarily as dwelling units.

(h) Project that is a legal nonconforming use

A Condominium Project with legal non-conforming use and the jurisdiction in which the project is located does not allow the rebuilding of the improvements to current density in the event of their partial or full destruction. This restriction does not apply to Detached Condominium Projects or if the jurisdiction in which the project is located allows the rebuilding of the improvements to their current density in the event of their partial or full destruction.

(i) Project in litigation, arbitration, mediation or other dispute

A project for which the HOA, or developer if the project has not been turned over to the unit owners, is a party to current litigation, arbitration, mediation or other dispute resolution process and the reason for the dispute involves the safety, structural soundness or habitability of the project except for instances where:

- The litigation amount is known, the insurance company has committed to providing defense and the litigation amount is covered by the insurance policy
- The matters involve non-monetary neighbor disputes regarding rights of enjoyment, or
- The HOA is the plaintiff in the litigation and the Seller has determined that the matter is minor with insignificant impact to the financial status of the Condominium Project.

(j) Project sold with excessive Seller contributions

Any project that complies with the definition of a New Condominium Project where the builder, developer or property seller is offering contributions that do not comply with the requirements of the Purchase Documents, including Section 25.3. Examples include, but are not limited to, rent-backs or leasebacks, payments of principal, interest, taxes and insurance (PITI) or HOA assessments for any period of time, and undisclosed contributions.

(k) Project with excessive single investor concentration

Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than 10% of the total number of units in the project. Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership. If the project has fewer than 10 units, any project in which a single entity owns more than one unit.

(l) Continuing Care Retirement Community (CCRC)

A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities.

(m) Manufactured Homes

Mortgages secured by Manufactured Homes, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

(n) New Condominium Projects in Florida

Mortgages secured by attached units in New Condominium Projects in Florida, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

Related Guide Bulletins	Issue Date
Bulletin 2014-18	October 15, 2014
Bulletin 2013-13	July 18, 2013

42.3: Ineligible projects (04/09/15)

Mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac:

(a) Project required to be registered with a federal or State securities agency

Any project that is required to be registered with the U. S. Securities and Exchange Commission or any State securities agency, regardless of the project type.

(b) Hotel/Resort Projects

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For further instructions on determining whether a project is a Hotel/Resort Project, see Section 42.10(b).

(c) Project with multi-dwelling units

A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.

(d) Project with non-incidental commercial space

A project in which more than 25% of the total square footage of the project is used for non-residential or commercial purposes.

(e) Tenancy-in Common apartment project

A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.

(f) Timeshare project or project with segmented ownership

A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15^{th} week of the year, or ownership that is for a limited period such as for the subsequent five years.

(g) Houseboat project

A project comprised of boats that have been designed or modified to be used primarily as dwelling units.

(h) Project that is a legal nonconforming use

A Condominium Project with legal non-conforming use and the jurisdiction in which the project is located does not allow the rebuilding of the improvements to current density in the event of their partial or full destruction. This restriction does not apply to Detached Condominium Projects or if the jurisdiction in which the project is located allows the rebuilding of the improvements to their current density in the event of their partial or full destruction.

(i) Project in litigation

A project in which: (1) the HOA is named as a party to pending litigation, or (2) the project sponsor or developer is named as a party to pending litigation and the reason for the dispute involves the safety, structural soundness, functional use or habitability of the project, except for instances where the Seller determines that the reason for the litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project and is limited to one of the following:

- The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy
- The matters involve non-monetary neighbor disputes or rights of quiet enjoyment, or
- The HOA is the plaintiff in the litigation and the matter is minor with insignificant impact to the financial status of the project.

The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

(j) Project sold with excessive Seller contributions

Any project that complies with the definition of a New Condominium Project where the builder, developer or property seller is offering contributions that do not comply with the requirements of the Purchase Documents, including Section 25.3. Examples include, but are not limited to, rent-backs or leasebacks, payments of principal, interest, taxes and insurance (PITI) or HOA assessments for any period of time, and undisclosed contributions.

(k) Project with excessive single investor concentration

Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project:

Number of units in the project	Total number of units owned by individual or single entity
Two to four	One
Five to 20	Two
21 or more	10%

Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.

(l) Continuing Care Retirement Community (CCRC)

A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities.

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Mortgages secured by Manufactured Homes, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

(n) New Condominium Projects in Florida

Mortgages secured by attached units in New Condominium Projects in Florida, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

Related Guide Bulletins	**Issue Date**
Bulletin 2015-4	April 9, 2015
Bulletin 2014-18	October 15, 2014
Bulletin 2013-13	July 18, 2013

EXHIBIT B

Fulcrum
PROPERTIES GROUP

April 21, 2015

Lloyd Jordan, Chairperson
Board of Zoning Adjustment
441 4th Street NW
Suite 210S
Washington, DC 20001

Dear Chairman Jordan & Members of the Board,

I have been a licensed real estate agent in Washington, DC since 2009, focusing primarily on residential property sales in Capitol Hill. My team, Fulcrum Properties Group, is comprised of 12 members who help over 130 families each year buy or sell a home. For the past three years, over 60% of our sales have been in Capitol Hill, Hill East, the Atlas District, and nearby neighborhoods across ANCs 6A, 6B, and 6C.

I have been retained by Aminta, LLC ("the Applicant") as a local market expert to provide a market analysis on the proposed development at 1330-1336 Pennsylvania Avenue, SE.

In reviewing the data, my research shows that the proposed size and scope of the project is reasonable and appropriate for the site and the current market. Furthermore, a reduction in overall project size or number of units would have a large negative impact on the marketability of each individual unit and the project as a whole.

Commercial-to-residential space ratio is a critical component of buyer financing. Federal underwriting guidelines for mixed-use projects regularly require that less than 25% of the building's floor plan to be used as commercial or retail space. The project currently complies with this standard. By reducing the overall building size, and thereby reducing the total square footage allotted to residential units, the commercial-to-residential space proportion would greatly exceed lenders' underwriting guidelines. This change would effectively eliminate all standard financing options for prospective buyers, as Fannie Mae or Freddie Mac compliant loans make up nearly 90% of all mortgages written today.

The data also shows the Applicant's current condo fees will be in line with similar projects in the neighborhood. Any reduction in project size would correspondingly increase the cost per unit with respect to ongoing maintenance, thereby negatively affecting marketability of the units. A condominium association's common operating, upkeep, and replacement costs remain largely unchanged when considering size increases or decreases in projects of this scale.

Downsizing to a matter-of-right FAR for this project would correlate to a 60% increase to each unit owner's portion of the association's shared costs. Such a high increase in the monthly condo fee would make the units dramatically less marketable when compared with other condominium homes of similar size and quality. In addition to my local knowledge and professional opinion, the attached Draft Condo Fee Report (Exhibit A) for this project and the Comparative Condo Fee Study (Exhibit B) justify how I reached this conclusion in more detail.

This project will also occupy an irregular lot. By nature, boutique condominium buildings demand lower fees and provide fewer amenities, which are economies regularly gained by efficient geography and layout. Due to the nature of this project's irregular lot, the building's common core is much larger and the maintenance fees are thereby increased. Because of this, we will see a narrower buyer pool, and a less marketable set of homes, resulting in a longer sale cycles. An increase in time-on-market correlates with higher project costs and reduces overall project feasibility.

I have thoroughly reviewed the applicant's data with market research, project comparisons, and knowledge across the neighborhood. It is my professional opinion that the project, as currently proposed, is reasonable for the site, sensible for the Applicant, marketable and desirable for prospective buyers, and appropriate as designed. A requirement to reduce size or scope would have a negative impact on all parties involved, both present and future.

Feel free to contact me should you have any questions or require further explanation.

Sincerely,

Ty Voyles
Owner, Realtor®
Fulcrum Properties Group
1328 G Street SE
Washington, DC 20003

Draft Condo Fees for 1330-1336 Pennsylvania Avenue SE (Exhibit A)

Unit	BR	BA	Ownership %	Replacement	Operating	Fee w/ 10 Units	Fee w/ 6 Units	Difference
201	1	1	7%	$98.94	$186.67	$285.61	$472.27	65%
202	2	2	10%	$148.41	$280.00	$428.41	$708.41	65%
203	1	1	13%	$197.88	$373.33	$571.21	$944.55	65%
204	2	2	10%	$148.41	$280.00	$428.41	$708.41	65%
301	1	1	7%	$98.94	$186.67	$285.61	$472.27	65%
302	2	2	10%	$148.41	$280.00	$428.41	$708.41	65%
303	2	2	10%	$148.41	$280.00	$428.41	$708.41	65%
401	1	1	8%	$123.68	$233.33	$357.01	-	N/A
402	2	2	12%	$173.15	$326.67	$499.81	-	N/A
403	2	2	13%	$197.88	$373.33	$571.21	-	N/A

Condo Fee Comparison : Subject Project to Area Comparables

Building	Address	Units	BR	Fee
Axis Condos	245 15th Street SE	18	1	$300.00
Axis Condos	245 15th Street SE	18	2	$355.00
Kingston	401 15th Street SE	12	1	$210.00
Kingston	401 15th Street SE	12	2	$360.00
River View	1424 L Street SE	6	1	N/A
River View	1424 L Street SE	6	2	$285.00
Cambridge	1211 G St SE #5	25	1	$115.00
Cambridge	1211 G St SE #5	25	2	$210.00
The Iridium	1306 Pennsylvania Ave SE	10	1	$330.00
The Iridium	1306 Pennsylvania Ave SE	10	2	$380.00
The George	1343-1345 Pennsylvania Ave SE	6	1	N/A
The George	1343-1345 Pennsylvania Ave SE	6	2	$125.00

			Comparison to Market
Average Condo Fee	1 BR	$238.75	
Subject Property at 10 Units	1 BR	$310.00	**130%**
Subject Property at 6 Units	1 BR	$475.00	**199%**
Average Condo Fee	2 BR	$318.00	
Subject Property at 10 Units	2 BR	$430.00	**135%**
Subject Property at 6 Units	2 BR	$712.00	**224%**

EXHIBIT C

TY ZACHARY VOYLES

1712 E Street, SE Washington, DC 20003 | c. (202) 725-8983 | ty@fulcrumpg.com

PROFESSIONAL EXPERIENCE

Owner and Realtor® | Fulcrum Properties Group | Washington, DC *December 2008 – present*
Fulcrum Properties Group is a high-producing team of residential real estate agents associated with the Keller Williams Capital Properties brokerage.

- Grew business to become:
    - Earned Prestigious Keller Williams Triple Platinum Award Recipient in 2014 and 2013, and Keller Williams Platinum Award Recipient in 2012.
    - Named #1 Keller Williams Capital Properties Team for Q1 of 2014, and Top 50 Keller Williams Teams nationally in 2013.
- Led business to complete $70 million in sales in 2014 and 2013 with twelve staff members.
- Member of the Keller Williams Capital Properties Agent Leadership Council.

Project Manager | DC Greenworks | Washington, DC *October 2008 – December 2010*

- Managed four staff members and dozens of interns and volunteers to transform public spaces throughout the District by designing and planting green roofs and rain gardens.
- Designed the green roof on top of the Dirksen U.S. Senate Office Building.
- Secured very competitive Microsoft Corporation community grant to fund new computers for the entire organization with innovative viral video, as well as many other city based grants.

Project Manager/Contractor | Aquent | Washington, DC *May 2007 – October 2008*

- Oversaw effort to capture and catalogue electronic journals as part of initiative to digitize the entire vast Library of Congress book, media, and music collection.

Project Manager | Aviation Training Consulting | Washington, DC *August 2005 – October 2008*

- Oversaw curriculum development program that ensured more efficient, safer, and cost effective aviation training.

Project Manager | Organization Strategies Inc. | Washington, DC *February 2003 – April 2005*

- Managed team of digital coding professionals to create innovative virtual software to train naval pilots with fewer injuries and accidents.

Project Coordinator | Bell Helicopter | Fort Worth, TX *September 2001 – May 2002*

- Wrote digital code to create virtual training program for military pilots.

Sales Representative | GV Publications | Lubbock, TX *September 1994 – August 2001*

- Sold over $2 million of advertising for college telephone directories.
- Trained over two dozen sales representatives.

EDUCATION

Texas Christian University | Fort Worth, TX
Bachelor Degree of Business Administration | Electronic Business | May 2002

EXHIBIT D

FIRST SAVINGS MORTGAGE
CORPORATION

April 21, 2015

To whom it may concern:

I am writing to address concerns I would have for marketability of the condominium units that are being developed at 1330-1336 Pennsylvania Avenue, SE Washington, DC 20003.

Most properties that are financed in the District of Columbia are financed using four types of loan programs: Fannie Mae, Freddie Mac, FHA or VA. All of these programs have limitations on the amount of commercial space allowed in a building to qualify for financing which is 25% of the gross square footage area. Buildings that have over 25% commercial square footage need to get financing through "boutique portfolio" type financing.

Boutique portfolio financing has a number of drawbacks that make it inferior to going the standard route of mortgage that most home buyers acquire:

1) Increased interest rate – The big four are priced extremely competitively and have checks and balances to keep the pricing in check. There are very few lenders that will lend on non-conforming projects and they will set pricing on average about 1/2% higher than what the rest of the market is paying. Also the loan programs will primarily be ARM's and not fixed rates.
2) Increased down payment – Programs are looking for at least 20% down as opposed to 3.5% down for FHA, 0% for VA and 5% down for Fannie Mae and Freddie Mac.
3) Lesser valuations – If a condominium unit is difficult to finance it will sell for less. Difficulty in financing lowers the pool of prospective buyers that can get a mortgage in a building thus lowering demand from perspective buyers.
4) More difficult for first time home buyers – First time home buyers biggest challenge is coming up with cash for closing. DC is a high income area and most buyers in the Capitol Hill market make sufficient salaries to qualify for a mortgage based on income. There biggest struggle is coming up with down payment and closing cost requirements. This is one reason why DC Opens doors program has been so successful and helped DC buyers get in to homes because no down payment is required.

Please do not hesitate to reach out to me if you should have any questions.

Sincerely,

Christopher J. Cox
NMLS ID: 520211
VP Mortgage Banking
chriscox@firstsavings.com