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U.S. Department of Housing and Urban Development
District of Columbia Office
820 First Street, NE
Washington, DC 20002-4205

February 10, 2015

District of Columbia Zoning Commission
441 4th Street, N.W., Suite 200-S
Washington, DC 20001
zcsubmissions@dc.gov

Re: Brookland Manor Apartments

To Whom It May Concern:

The Washington, DC Office of the US Department of Housing and Urban Development ("HUD") wishes to advise the District of Columbia Zoning Commission that it has been working with Mid-City Financial Corporation for some time on its proposed redevelopment of Brookland Manor Apartments.

The redevelopment of Brookland Manor into a mixed income community, while retaining the existing 373 Apartment Section 8 Project Based Assistance contract, is consistent with the HUD's objective of upgrading low income housing and developing true mixed income communities.

The most recent score under the Department's Real Estate Assessment ("REAC") system was a 95 B in December 2012. The REAC system grades properties on a 0 to 100 scale. Passing scores are above 61. Scores in the 90's exempt the property from re-inspection for a three year period. Brookland Manor has scored in the 90's since 2009.

Mid-City Financial is a major owner and operator of Assisted and Insured Housing in the District of Columbia, and in the Mid Atlantic. Mid-City has been doing business with this office since the early 1970's.

Edgewood Management, Mid-City Financial's affiliated management company, has been the managing agent for this property since 1975. Edgewood is among the largest affordable housing management companies in the Washington, DC MSA.

I look forward to working with Mid-City and the other community stakeholders on this transformational project.

Sincerely,

Melanie N. Marston

Melanie N. Marston
Director, Multifamily Program Center DC
United States Department of Housing and Urban Development
820 1st Street, NE, Suite 300
Washington, DC 20002

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February 5, 2015

Zoning Commission for the District of Columbia
414 4th Street, NW, Suite 200-South
Washington, DC 20001

Re: Case No. 14-18

Dear Zoning Commissioners,

My name is Gerald Kittner and I am the Executive Director of Beacon House Community Ministry, Inc., a non-profit after school tutoring and mentoring program for low-income children that operates out of two centers in the middle of the Edgewood Terrace (now "Edgewood Commons") apartment complex in Northeast, Washington, DC. I write in support of the application submitted by Mid-City Financial Corporation which seeks approval to build a mixed use development in the Brookland neighborhood of Northeast, DC.

Beacon House was founded in 1991 when the Edgewood Terrace apartment complex was a crime-ridden, distressed Section 8 housing community. As a Board member of Beacon House, I visited the complex often and had first-hand experience with the myriad affronts law-abiding residents and neighbors of the community faced each day. In the mid to late 1990s, the Edgewood property was renovated by the Community Preservation and Development Corp. ("CPDC"), a 501(c)(3) developer of affordable housing. Edgewood became then, and remains now, an attractive, clean and safe place to live both for residents who pay market rates and for low-income families who pay subsidized rates.

Mr. Ford, a principal with Mid-City, founded CPDC, was Chairman of the Board of CPDC when that company acquired the Edgewood property, and played a central role in insuring that the renovation of Edgewood incorporated subsidized units and social services for the residents.

Beacon House tutors and mentors children from families who live in the Brookland Manor apartment complex, which is on the other side of Rhode Island Avenue, roughly a mile from Beacon House. I occasionally drive through Saratoga Avenue, and through the middle of the Brookland Manor apartments. Regardless of the time of day, or day of the week, I invariably witness dozens of adults and children loitering on the streets with no apparent purpose. Quite often at night there are police cars parked on the streets, sometimes with bright spot lights set up to illuminate the neighborhood, no doubt to preempt trouble. On quite a few occasions I have heard gunshots ring out.

Brookland Manor is what Edgewood Terrace was prior to CPDC's renovation and stewardship. Like Edgewood was, Brookland Manor is a homogenously low-income community with no apparent effective social service agencies working to give residents skills and hope for a better future.

P.O. Box 29629 601 Edgewood St., NE, Suite 15 Washington, DC 20017 **P** 202.529.7376 **F** 202.832.9456 www.beaconhousedc.org

As I understand the proposed project, Mid-City Financial and Mr. Ford, just as was done with the renovation of Edgewood, will incorporate a certain percentage of subsidized rental units, and welcome programs like Beacon House, and other child and adult welfare organizations to work on supporting the most disadvantaged residents. Just as Edgewood has been an unequivocal success story, Mid-City's planned renovations of Brookland Manor hold the promise of a much brighter future for current and future low-income residents. Furthermore, it is hard to discern the value of preserving the status quo.

As a social service professional, it is my strong hope that Mid-City Financial obtains the necessary regulatory approvals and is allowed to proceed with its plans. I would be happy to provide further information.

Sincerely,

Gerald Kittner

Gerald Kittner
Executive Director

THE WALL STREET JOURNAL.

TUESDAY, FEBRUARY 28, 1995

A Tale of Contrasts

Two Buildings Show How Public Housing Slid Into Such a Mess

One Was Well-Maintained By Its Owner, the Other Was Just a Tax Shelter

Drug Sales and Water Leaks

By JOHN J. FIALKA
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Edgewood Terrace I and Edgewood Terrace II are nearly identical apartment buildings a mile-and-a-half northeast of the U.S. Capitol. They were built in the early 1970s by the same man under the same rules and are fed by the same subsidies from the Department of Housing and Urban Development.

But Edgewood Terrace I has crumbled into a slum endangering the whole area. Edgewood Terrace II is doing fine. Why?

The tale of the Edgewood twins is a study in contrast. It is about how government policies allow one landlord to perpetuate a slum while another runs a showcase of low-income housing. It is about the misery of tenants, locked in a struggle to live in dignity while seeking help from a government paralyzed by ever-shifting rules. It is, in a nutshell, about how HUD-subsidized properties have come to pockmark the nation's urban landscape.

A Rescue Attempt

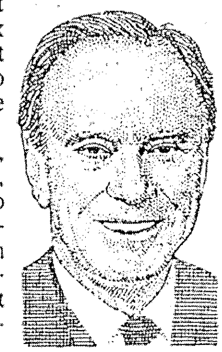
Rogerline Nicholson, a 69-year-old retired government cook, has done everything she can to save Edgewood I, her home for 22 years. "You've got to fight to get something, and then you've got to fight to keep it," she says.

A formidable-looking woman who runs a tenants' association, she has brought in a stream of community leaders, members of Congress and HUD officials to show them the rats, the bombed-out-looking vacant apartments, the overflowing toilets, the leaky roof, the collapsed garage, the crumbling walls, the dark hideouts used by drug dealers. The visitors always shake their heads and go away. Nobody knows how to put Edgewood I, like Humpty Dumpty, back together again.

The 302-unit Edgewood I – whose value government auditors now put at a negative $10 million – is a mere blip on HUD's balance sheet but also a reason the agency is fighting for its life. There may be as much as $11 billion of similar blips, "distressed properties" that HUD owns or is about to own because it insures the mortgages. HUD bureaucrats quietly refer to these relics of a generation of failed housing policies as, collectively, "the Museum." Congress can ax HUD, but the Museum will haunt cities for years.

Mention Mrs. Nicholson to James Aldridge, the District of Columbia's chief enforcement officer for housing, and he rolls his eyes. His inspectors have spent man-years prowling Edgewood I's dim, brick-lined corridors and have issued 202 code-violation tickets that remain unanswered. "She thinks I have divine powers," he says. "She fails to understand that the cost to bring that place up to code is so prohibitive that we simply don't have those kind of resources."

A soft-spoken man with a walrus mustache, Mr. Aldridge is frustrated because in his mind's eye he can still see Edgewood I as it was when it opened in 1973, with its manicured lawns and a swimming pool. "It was beautiful, a showplace, a real plus to the neighborhood." It also was designed to be beautiful to accountants. The Kennedy-era programs that spawned it used tax incentives to attract private investors to finance low-income housing.



Eugene F. Ford

Eugene F. Ford, 65, the Bethesda, Md., developer who built both Edgewoods, is an old-fashioned landlord, a fussbudget who looks for trouble before it arises. In Edgewood I, he found it in his maintenance reserves, the money landlords should set aside to fix big things such as elevators and roofs. During the late 1970s, double-digit inflation gobbled them up while HUD rules kept rents static.

In 1982, the Reagan administration allowed faster tax depreciation of low-income rental property, making apartments still more attractive to investors. Mr. Ford solved his problem by selling Edgewood I to get enough money to properly maintain Edgewood II.

The sale led in a profound change in management styles. While Mr. Ford had spent a lifetime marketing and caring for buildings, Edgewood I's buyer, Security Properties Inc., of Seattle, was controlled by Paul H. Pfleger, who had made his mark selling tax shelters to nationwide syndicates of affluent investors.

Mr. Ford remembers pointing out the maintenance-reserves problem to SPI managers. "They were pretty arrogant," he says. "They took the attitude of telling me, who am I to be telling them?"

Through brokers, SPI sold 98% of Edgewood I to a partnership of 117 people, many of whom are doctors and dentists in the West who have never even seen Edgewood I. While Mr. Pfleger became a general partner, responsible for managing the property, the others became limited partners with very limited powers.

Both Mr. Ford and Mr. Pfleger have

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A Tale of Contrasts: Two Big Apartment Buildings Illustrate How Public Housing Slid Into Such a Mess

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been major players in owning and operating blocs of low-income apartments, but, viewed through the prism of the two Edgewoods, the resemblance ends there.

Mr. Ford's Mid-City Financial Corp. has built 48 apartment complexes and manages another 25. Nearly all are in the Washington area and are partly funded by low-income housing programs. He pores over weekly occupancy reports and visits each building eight or nine times a year.

He tries to keep his buildings full by offering free services, such as vans to take people shopping, and invites in-home tutoring projects and sports clubs. Such moves aren't entirely altruistic. "His earliest idea was if you keep the kids occupied, they won't tear the place up," says Leslie Steen, a co-worker. Mr. Ford also carefully screens his tenants. "You take your hands off of a building like this for three months, and you might as well throw it away," Mr. Ford says.

In contrast, Mr. Pfleger is one of a new breed of landlords that entered the low-income apartment business in the early 1980s. A former tax and insurance consultant, he responded to questions from this newspaper only through his lawyers. Asked Mr. Pfleger's age, they said he is "in his 50s." In his written answers, he highlighted his overall philosophy: "Please note that investing in affordable [housing] projects is primarily tax-motivated."

Legal Tactics

While Mr. Ford used his carpenters, plumbers and accountants to satisfy HUD maintenance requirements at Edgewood II, Mr. Pfleger relied heavily on his lawyers, who continually appealed HUD's findings of mismanagement at Edgewood I to higher HUD officials. Their requests for delays, reviews and more subsidies make a file almost four inches thick. (HUD officials say several other Pfleger-controlled buildings have received similar treatment and, like Edgewood I, are in default on mortgage payments.)

Edgewood I, the building, has never made a profit, but Edgewood I, the tax shelter, performed financial miracles for Mr. Pfleger and his investors. As is usual in syndications, many of their profits came up front, as brokerage and management fees. Over the years, moreover, they could write off as much as $8.7 million in depreciation and losses against their taxes.

In the history of Edgewood I, however, this was but a brief, shining moment. In 1986, Congress passed the Tax Reform Act, which phased out the tax shelters. The change had little effect on Edgewood II, where Mr. Ford kept plodding along with his maintenance schedules. But Edgewood I continued its inexorable slide.

Some Edgewood I owners concede being troubled by that today. "I'm glad this is coming out now. There were some things done back in the 1980s that were greedy," says C. Joseph Tyree, a pediatric dentist in Munster, Ind. Another limited partner, John E. Hall, a specialist in emergency medicine in Anchorage, Alaska, says: "I don't believe in renters living in dumps. If the government knows this place is a crack house, they ought to get somebody in there and do something about it."

According to HUD records, the government knew bad things were beginning to happen at Edgewood I in 1985, when an open-air crack market was operating on the plaza outside the building. Some of the dealers and users were using vacant Edgewood I apartments as hideouts; a few had become tenants. HUD inspectors noted that the building's managers were exercising "poor tenant selection."

A Disastrous Slide

By 1987, the swimming pool, shared by the two buildings, was closed; Edgewood I couldn't pay its share of the maintenance. The cement parking lot behind Edgewood I collapsed. Two years later, the plumbing, mended in various haphazard ways, took on a life of its own, sprouting leaks and flushing toilets spontaneously in the middle of the night. Heat, air conditioning and hot water became sporadic. By 1989, 45 of its units were vacant.

Tenants who had portable rent vouchers from HUD moved out, but most of those remaining – a mixture of single-parent families and elderly on slim or nonexistent pensions – were stuck. Their subsidies tied them to the building.

In 1989, Mrs. Nicholson revived the building's long-dormant tenants' association, which began to complain to HUD. Writing in a shaking hand, one elderly woman noted her peeling paint, the water leaks and the elevator that could no longer stop at her floor. "Please, someone keep the building going," she pleaded. "This is my home, and I live here. Please don't ask human beings to live like this."

In 1989 and in 1990, HUD rated the building's management "unsatisfactory." In 1991, when HUD's regional office found "strong indications of mismanagement," SPI's regional vice president responded that the building was managed "at a level the owner feels [to be] outstanding based on a property with a need for a several million dollar rehab, located in a high crime area."

Continuing Problems

To be sure, there were sporadic attempts to repair things. HUD called in an architect, Edward M. Johnson, to estimate the cost of fixing up 20 apartments. He noted that many of them were in a section that had roof leaks and moldy goo seeping out of air-conditioning vents. Such repairs "didn't make any sense," he recalls.

Nevertheless, they were done. Jack Kemp, then secretary of HUD, had become outraged over conditions at another HUD-subsidized building in Washington, and consequently some of its tenants were being moved, temporarily, to the refurbished units at Edgewood I. Cassandra Burnett, a retired nurse, moved into one on the second floor and discovered water leaking in from the roof, four floors above. The sink, her husband, Thomas, says, spewed water "like a geyser, like Yellowstone National Park." "The bottom line," she says, "is we don't use our sink."

At nearby Shaed Elementary School, children from Edgewood I started showing up dirty. Unable to bathe at home because of a lack of hot water, they were allowed to take showers at school, says the principal, Brenda Richards. The school also began holding parent discussion groups, where frustrations over Edgewood I's conditions often come out. "The office staff and I were joking the other day. They said this isn't a school, it's more like a social-work annex," Ms. Richards says.

In 1993, President Clinton ordered the federal government to do something about Washington's high-crime areas. That brought the Park Police to Edgewood I, although it is several blocks from the nearest park.

"It was the most rewarding thing I've ever done," recalls Lt. Robert Kass, head of the unit. While the District's police were being run ragged in the neighborhood, going from call to call, Lt. Kass's 36 officers moved in on the drug business, making more than 1,500 arrests. The Park Police became neighborhood heroes.

Nine months later, though, their money, scrounged from other Park Police programs, ran out. "What was kind of odd at the end was the word got around [among the crack sellers] that we were leaving. They told our officers, 'Five more days, and you guys are gone.' They were looking forward to it," Lt. Kass recalls. When the police left, the drug dealers came back.

Seen from a distance, the buildings still look a lot alike, but Edgewood II has eight vacancies and Edgewood I has 131. Thomas Bender, 69, head of the Edgewood II tenants' association, says he has no complaints about maintenance in his building. What he dreads are the long, lonely walks past the boarded-up windows of the complex next door, which includes a few garden apartments. "We were informed last year that HUD was supposed to start working on those places and renovate them," he says. "All they're being used for now is a shooting gallery."

Mr. Bender will need patience. HUD's dealings with owners of decaying buildings is a slow, elaborate dance. Having decreed Edgewood I's management "unsatisfactory" starting in 1989, HUD followed in January 1992 with an order banning SPI from engaging in any new HUD-sponsored projects for one year. That seemed to have little effect on Mr. Pfleger, who has shifted his attention to selling wholesale long-distance telephone time.

In March 1992, Edgewood I's owners defaulted on their mortgage. That May, HUD demanded that Mr. Pfleger find a better on-site manager. In October, G. Richard Dunnells, one of Mr. Pfleger's lawyers, warned HUD that if it didn't offer more rental subsidies or subsidize the sale of Edgewood I to a nonprofit group, the owners would turn the rotting hulk back to HUD, which holds the mortgage.

That threw the problem into the lap of Helen M. Dunlap, HUD's current deputy assistant secretary for multifamily housing. Visiting Edgewood I in the summer of 1993, she was "appalled," she says. But HUD was hamstrung by its own rules, which required it not only to repair the building but also to give the tenants 15 years of subsidized rent if they had to move. She didn't have the money.

This year, the rules eased, but then HUD's overall policy changed as the Clinton administration's program to downsize the department took hold. Ms. Dunlap is studying HUD's latest policy, which is to move tenants, tear down dilapidated buildings and sell the land. The General Accounting Office says that that is the only cost-effective solution for Edgewood I.

But cost-effectiveness is never the only criteria when it comes to low-income property. Mr. Ford, as the builder, feels obligated to try to save Edgewood I. The buildings "are kind of like my babies," explains Mr. Ford, who feels guilty about selling Edgewood I in the first place and would like to prevent the continued decline of the neighborhood. He has formed a nonprofit corporation that will attempt to raise $6 million and mobilize neighborhood groups to help rehabilitate it. If he delivers, Ms. Dunlap says HUD will throw in a $13 million grant. "We have made a lot of commitments on this property over the years," she says. The deal will be negotiated over the next 60 days.

As for Mr. Pfleger, he and his lawyers and investors are looking at a procedure that the IRS calls "recapture." When and if they decide to sell Edgewood I, federal income taxes on the $8.7 million they have sheltered by using the dilapidated building as a deduction will come due. The blow would fall largely on the limited partners.

Asked about Edgewood I's decline, Mr. Pfleger blamed HUD's stinginess and "tenant vandalism," an "unbelievable increase in gang violence and drug activity, and declining occupancy due to lack of interested market rate tenants." Explaining the radically different history of Edgewood II, the building next door, he wrote: "They are two distinct and different kinds of developments, with their own special problems and needs."

Indeed they are, now. Edgewood I tenants feel a strong need to pretend things are getting better. When Mrs. Nicholson comes back from church on Sundays, she steels herself, then breezes through the crack dealers as if they weren't there. Marie Porter, 69, a proud, fragile woman who suffers from asthma and a bad back, often pretends that she doesn't live at Edgewood at all: "A lot of my friends don't know where I live. I have a postal box number and an unlisted telephone."