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[Read the Woodson Heights report.](#)

How Not to Create Affordable Housing: A Cautionary Tale from the Housing Production Trust Fund

*D.C. Auditor's new report takes a close look at an affordable housing project gone wrong,
and recommends how to ensure it doesn't happen again*

WASHINGTON – The concrete slab on Call Place in the District's Ward 7 was intended to be the foundation of a building in Woodson Heights Condominiums.

But the slab, poured in 2008, is instead a monument to the project's troubles and the dire financial consequences—not only revenue lost by the District, but for Woodson Heights residents who struggle with rising condo fees, property assessments lower than purchasing prices, and difficulty making payments on subsidized District loans that helped them become homeowners.

The Office of the D.C. Auditor's report is the last in a series that has studied the HPTF's efficiency and effectiveness in creating affordable housing in D.C. The fund, is administered by the Department of Housing and Community Development (DHCD) and provides loans and grants to for- and non-profit developers to build or preserve existing multi- and single-family affordable housing for targeted populations.

The in-depth look at the Woodson Heights project serves as a cautionary tale of an affordable housing project gone wrong, detailing the District government's management of the project between 2006 and 2013, including a poorly vetted developer who received grants and loans from the District government, and was then allowed to walk away from its government debt.

"We've acknowledged the successes of the HPTF and believe it to be an important and valuable tool," said D.C. Auditor Kathy Patterson. "We thought it was important to bring the Woodson Heights dealings to light and make sure we have safeguards in place to ensure it doesn't happen again."

The AmeriDream nightmare

In 2006, the HPTF awarded AmeriDream a \$1.2 million interest-free loan and \$6.8 million in federal housing money. AmeriDream, however, finished only 74 units, and sold just 52 before breaching and defaulting on \$2.8 million of the taxpayer funding in late 2011.

A review of the District's oversight of the Woodson Heights development reveals a series of missteps and unnoticed or unheeded warning signs. An ODCA search of the DHCD case file of documents found no evidence that District officials researched AmeriDream's background, its finances, or whether it had the experience to build a 106-unit project.

A 2005 draft document shows the District was demanding that AmeriDream sign a “Corporate Guarantee” in case AmeriDream couldn’t repay the HPTF loan. There was no corporate guarantee, though, in the final loan agreement. The next year, the deed of trust accompanying a \$7.5 million loan from Provident Bank of Baltimore to AmeriDream said that the bank loan “is guaranteed by” AmeriDream Inc. which means that Provident Bank obtained a guarantee while the District failed to do so.

Concurrently, AmeriDream and its affiliates paid one executive more than \$2.3 million in salary and bonuses between 2003 and 2011, according to the publicly available tax returns, and paid its chief executive officer, more than \$2.8 million, including \$1 million of that in the last three years, even as AmeriDream’s revenue dropped dramatically and it defaulted on its District contract.

ODCA’s recommendations, and hope for the future

In comments dated April 6, 2018, DHCD says it expects to close and transfer the property to a new partner in the next 30 days. “This will advance a long-stalled project into new affordable homeownership opportunities for residents of the District of Columbia,” said Polly Donaldson, director of DHCD.

The report contains the following recommendations:

- District leaders should implement a transparent, online, and searchable selection process of developers receiving HPTF loans, including making public the evaluation scores of those entities submitting proposals for development projects.
- DHCD should use a standard loan agreement that includes requirements for completion dates, and provides for reviews of audited financial statements.
- The District should consider demanding corporate guarantees from the many entities, including limited liability companies and nonprofits that do business with the District.
- District officials should do more to counsel and assist new homeowners in making and meeting budgets so they can maintain their investment and make timely repayments to District loan programs.

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