

Washington Housing
Initiative

> Investing In The Places
Working People Call Home

> Sponsorship: JBG SMITH and Federal City Council

*The Washington Housing Initiative is led by **JBG SMITH** and **Federal City Council** and combines their capabilities and experience to drive impact at scale with speed, certainty, and efficiency.*



JBG SMITH is a real estate company that owns, operates, invests in and develops a dynamic portfolio of high-quality mixed-use properties in and around Washington, DC. Through an intense focus on placemaking, JBG SMITH cultivates vibrant, amenity-rich, walkable neighborhoods throughout the capital region.

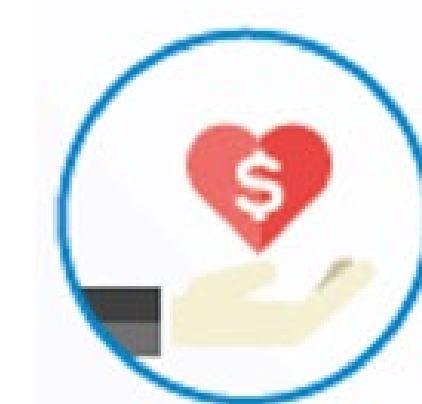
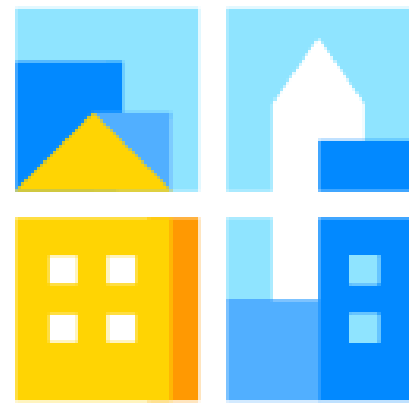


**FEDERAL CITY
COUNCIL**

Established in 1954, the **Federal City Council** is a non-profit, non-partisan organization dedicated to the improvement of the District of Columbia. Comprised of the area's top business, professional, education and civic leaders, the Council works with the District and Federal governments to develop and implement solutions to community problems.

> An Innovative Approach: The Washington Housing Initiative

*The Washington Housing Initiative is a transformational, market-driven approach to preserve and create affordable workforce housing in rapidly changing communities through its two primary vehicles: the **Impact Pool** and the **Washington Housing Conservancy***

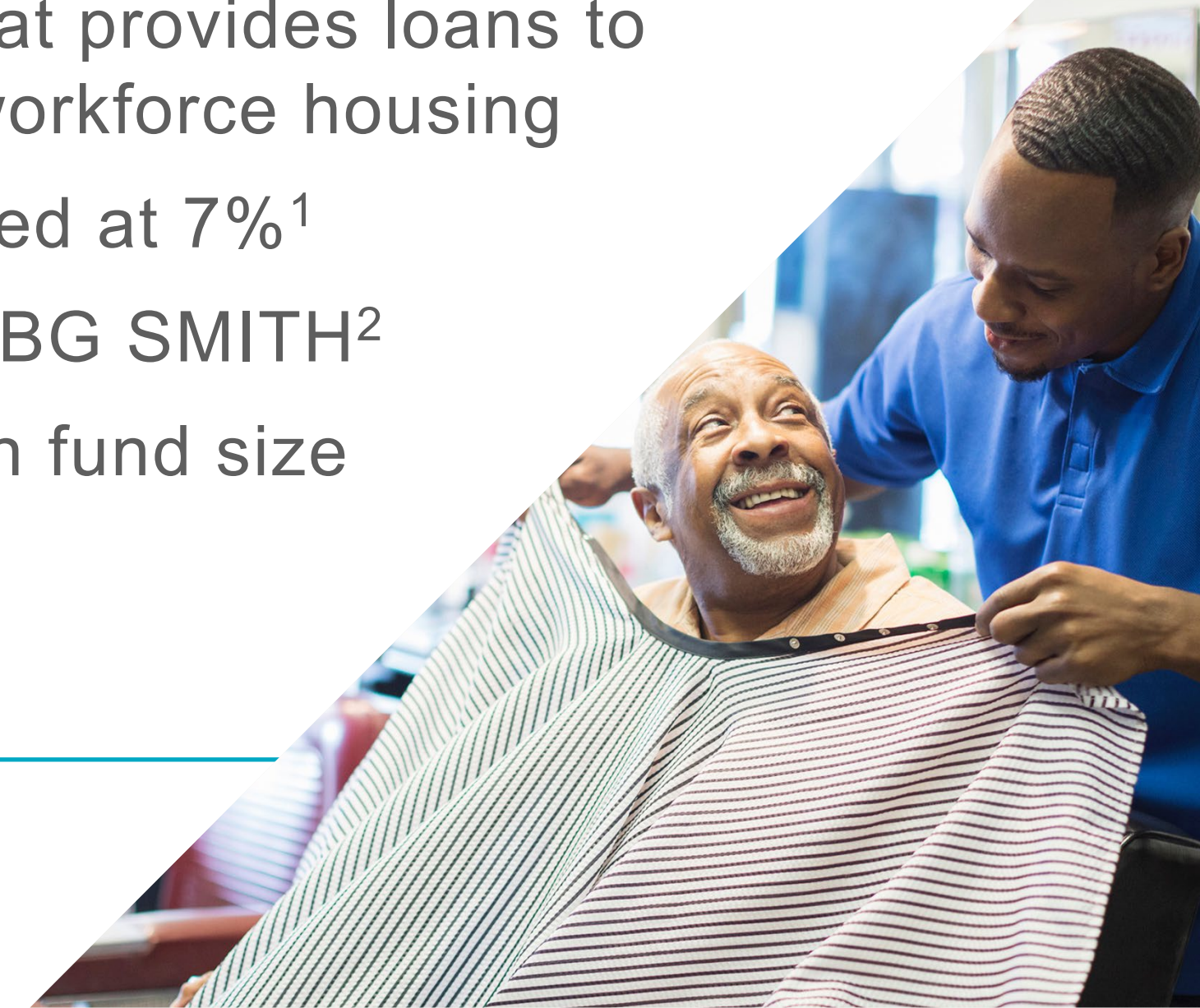


Washington Housing Conservancy

- Owns and operates affordable workforce housing
- Builds connected communities
- Self-sustaining independent non-profit corporation supported by the Federal City Council
- \$13 million in donations to date

Impact Pool

- Investment vehicle that provides loans to preserve affordable workforce housing
- Investor returns capped at 7%¹
- Managed at cost by JBG SMITH²
- Targeting \$150 million fund size



> Key Principles: Washington Housing Initiative

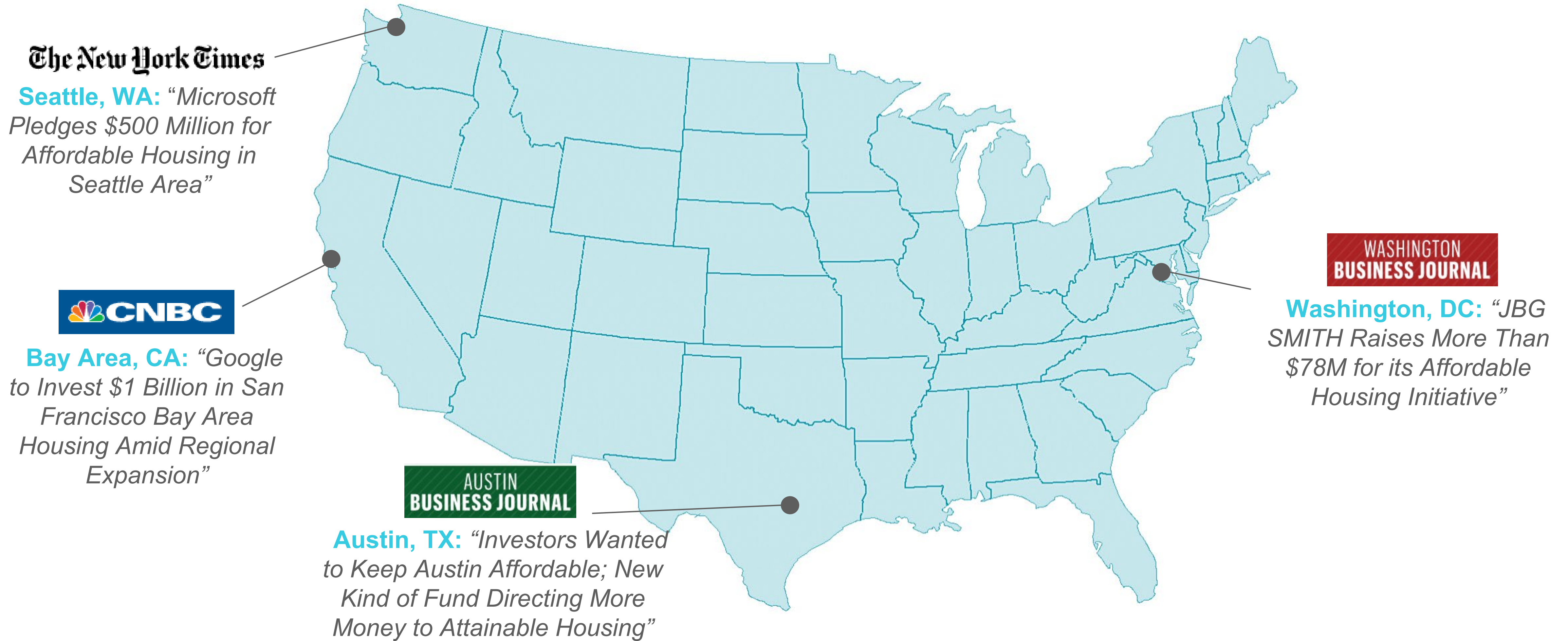
- Commit to long-term affordability
- Focus on High-Impact Locations across the Washington region
- Invest at scale, with speed, certainty, and flexibility
- Sustain and strengthen inclusive communities
- Build a replicable model

Goals

- Preserve 3,000 units of naturally occurring affordable workforce housing
- Prevent displacement & address resident needs
- Provide new, private capital for workforce housing



> “Housing Affordability Matters to Employers” – Greater Washington Partnership



> “Cost Burdens Have Moved Up the Income Scale” – Joint Center for Housing Studies of Harvard University



More than 600,000 Washington area households fall into the “affordability gap”¹

\$2,782
Average two-bedroom apartment rent in DC²

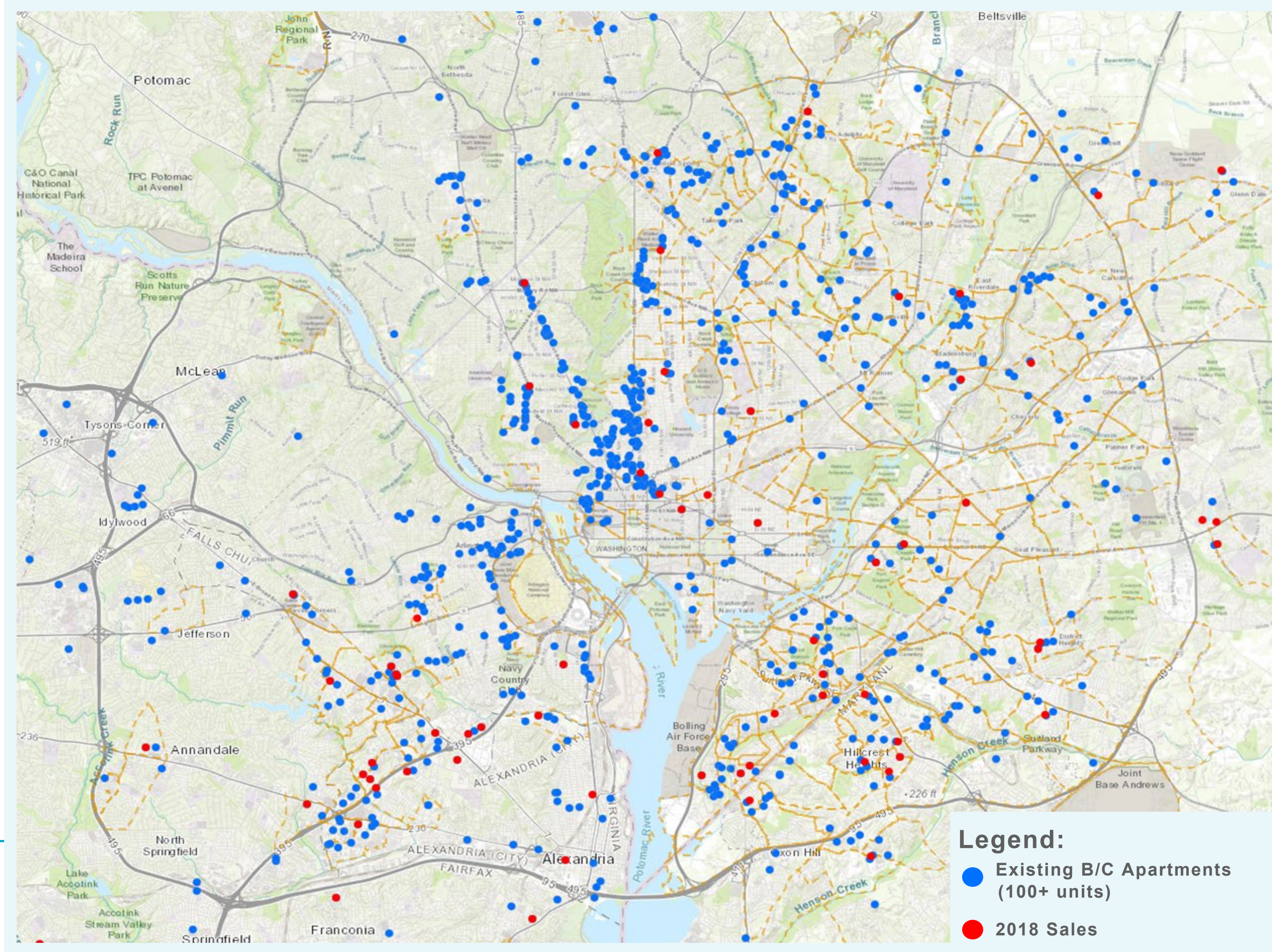


Profession	Health Technician	Firefighter	IT Tech Support	Teacher
Annual Salary ³	\$52,520	\$61,500	\$63,276	\$74,998
Affordable Monthly Rent	\$1,313	\$1,538	\$1,582	\$1,874
Monthly Rent Shortfall ⁴	(\$1,469)	(\$1,244)	(\$1,200)	(\$908)

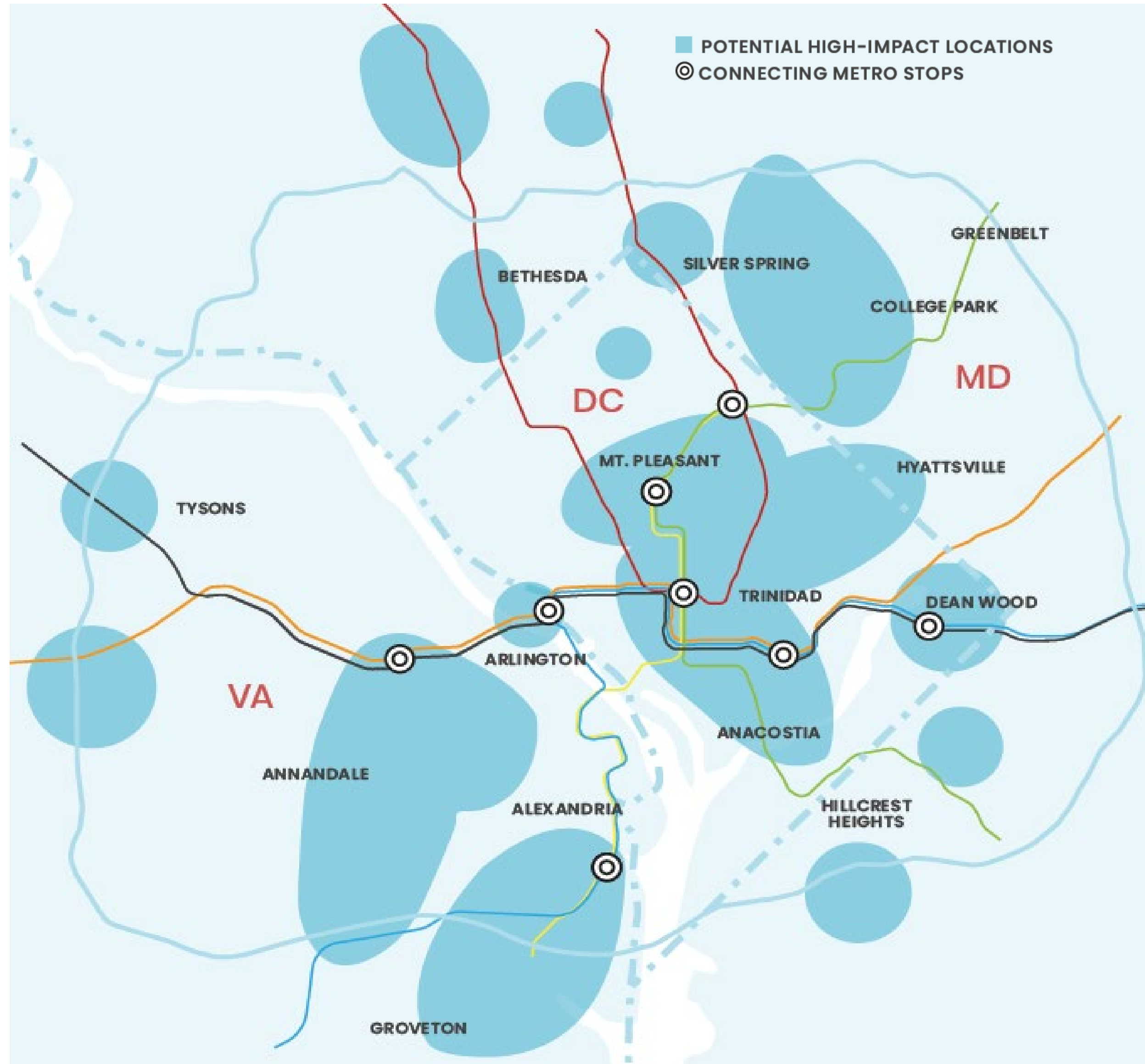
➤ “Preservation of Both Subsidized and Unsubsidized Affordable Housing is Critical to Meeting Future Housing Needs.” – Urban Institute

- 345,000+ naturally occurring affordable housing units across the Washington, DC region
- Plethora of opportunity allows for speed and certainty of impact
- Preservation is faster and less expensive than new construction

\$ **\$**
New Construction **➤** **Preservation**
(~\$400k / unit) **(~\$225k / unit)**



> Focus Investments in High-Impact Locations



- **High-Impact Locations** are places that are relatively affordable today, but growing rapidly
 - Above-average population growth
 - Proximity to jobs & transportation
 - Large rental housing stock
 - Predominately middle-class
 - Private investment will drive change:
 - More retail and family amenities
 - Less affordability
- **Location drives impact¹**
 - Growing up in a high-opportunity neighborhood improves a child's outcomes:
 - 27% more likely to go to college
 - 30% higher earnings over lifetime

¹ Adapted from *More Than a Home*, Enterprise Community Partners, November 2017

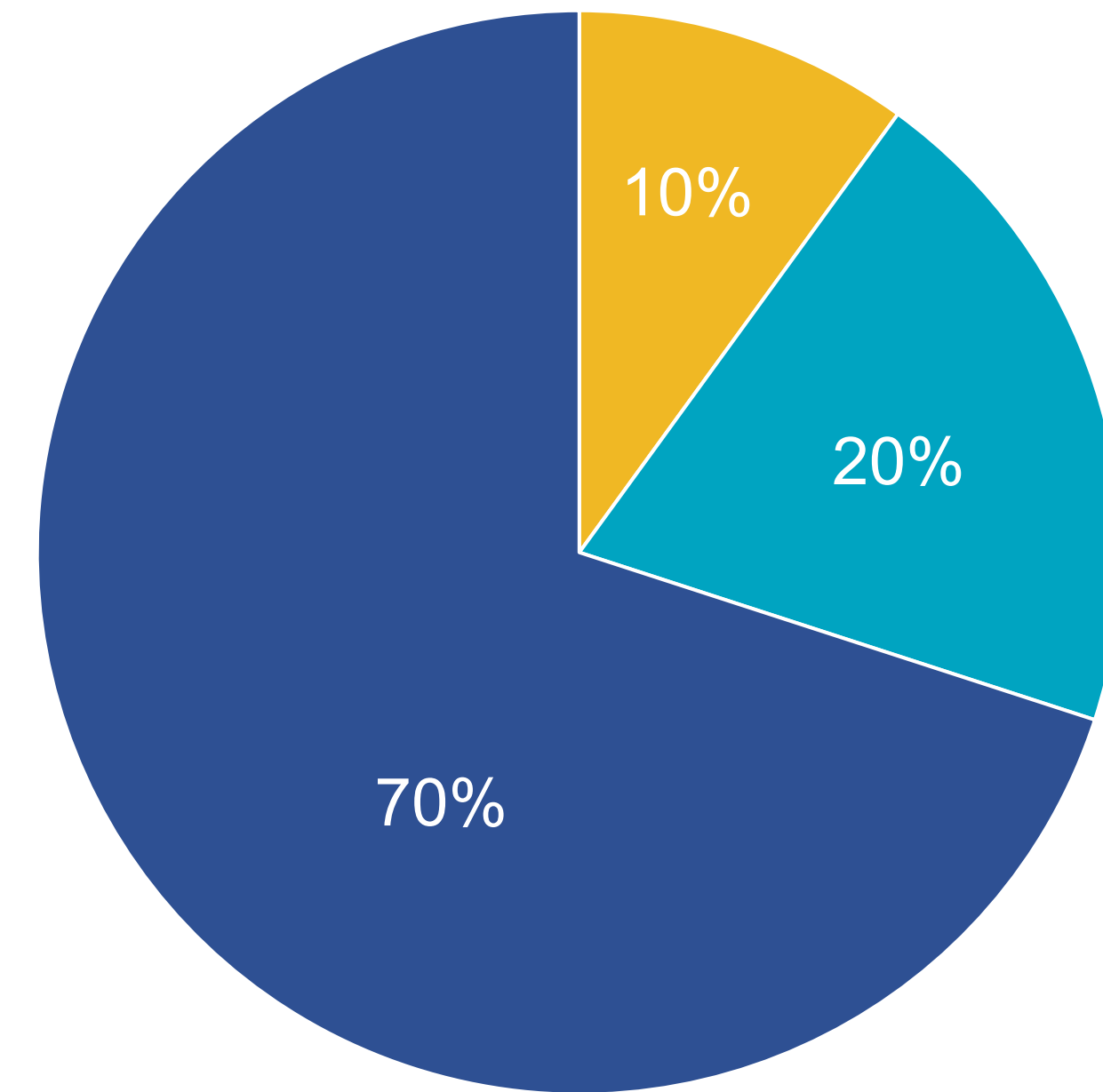
> Typical Deal Structure

Projects funded with Impact Pool capital commit to:

- Accept 15-year affordability covenants
 - At least 51% of the units reserved for families earning 80% of AMI or less
- Support critical neighborhood resident services
- Re-invest a portion of the profits in affordability and impact
- Measure and track social and environmental outcomes

Impact Pool investment repaid through refinancing – not sale – to preserve long-term affordability

Example Project Funding



- Washington Housing Conservancy
- Impact Pool Loan
- First Mortgage

> Private Sector Investments

- \$80 million in investor commitments in the Impact Pool
- Targeted second & third close in 3Q19 and 4Q19
- Final close targeted for 1Q20
- Inaugural investors include major banks and real estate companies



> Takeaway: The Washington Housing Initiative

The Washington Housing Initiative is a scalable, market-driven approach that leverages private capital to preserve housing affordability and prevent displacement in the path of gentrification.

Opportunities to get involved:

Financial >

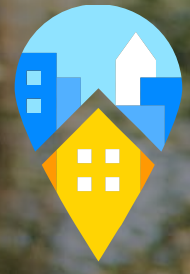
- Invest in the Impact Pool
- Contribute to Washington Housing Conservancy

Policy >

- Reduce bond fees
- Assign public purchase rights
- Eliminate taxes for workforce housing

The information reflected herein is a projection only, and should not be relied upon for any purpose, nor should this information be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or related financial instruments in any jurisdiction.





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> Questions?

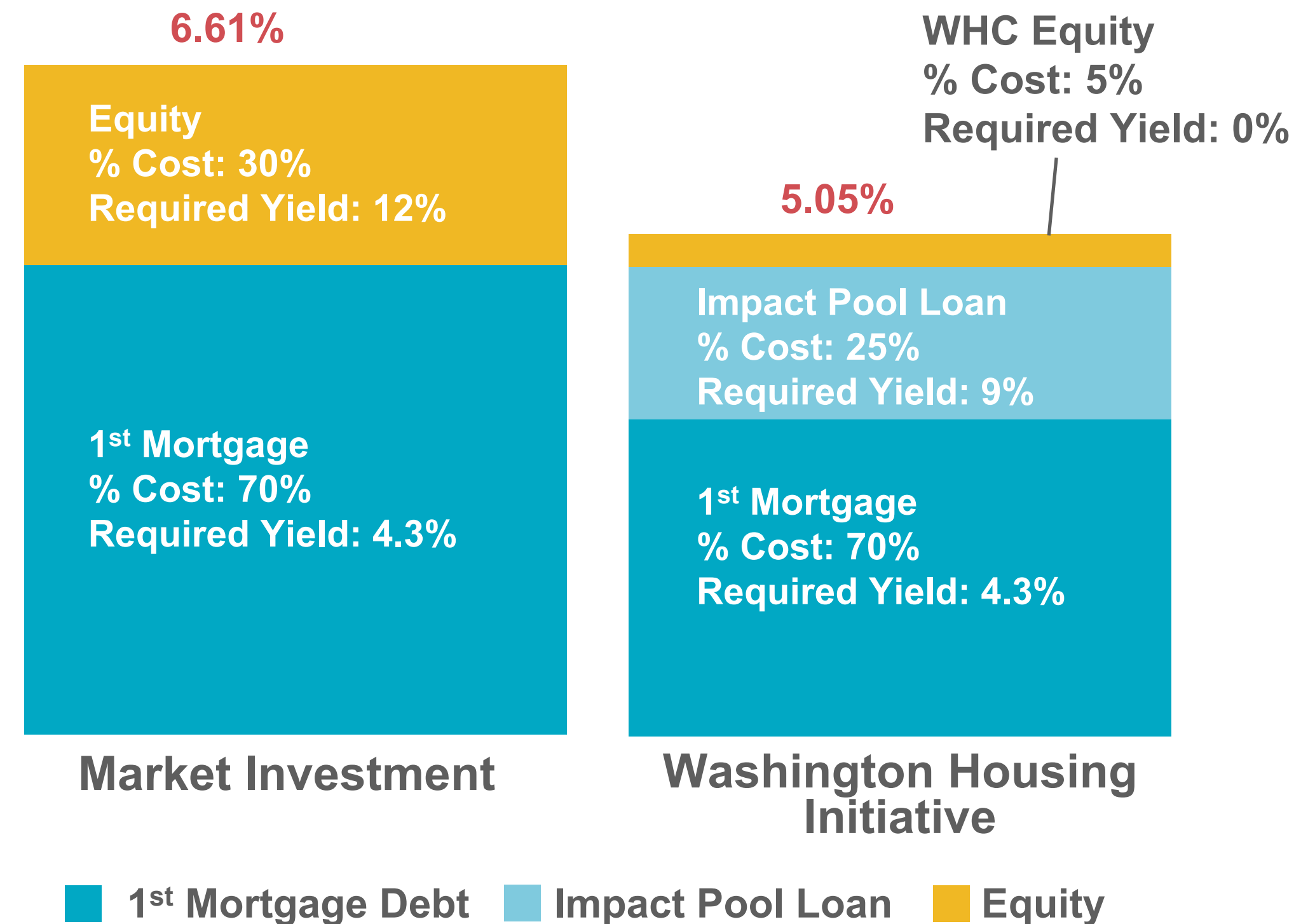


> Cost of Capital Advantage

- The Impact Pool's investment enjoy better risk mitigation than traditional market investments due to the following advantages:
 - Lower mortgage rates: +/- 30bp discount for targeted affordable housing
 - Exemption from property & sales tax in Washington, DC
 - Lower vacancy and collections risk due to below market rent and backstop reserve fund
 - Growing asset value over time relative to income due to below market rents in High-Impact locations

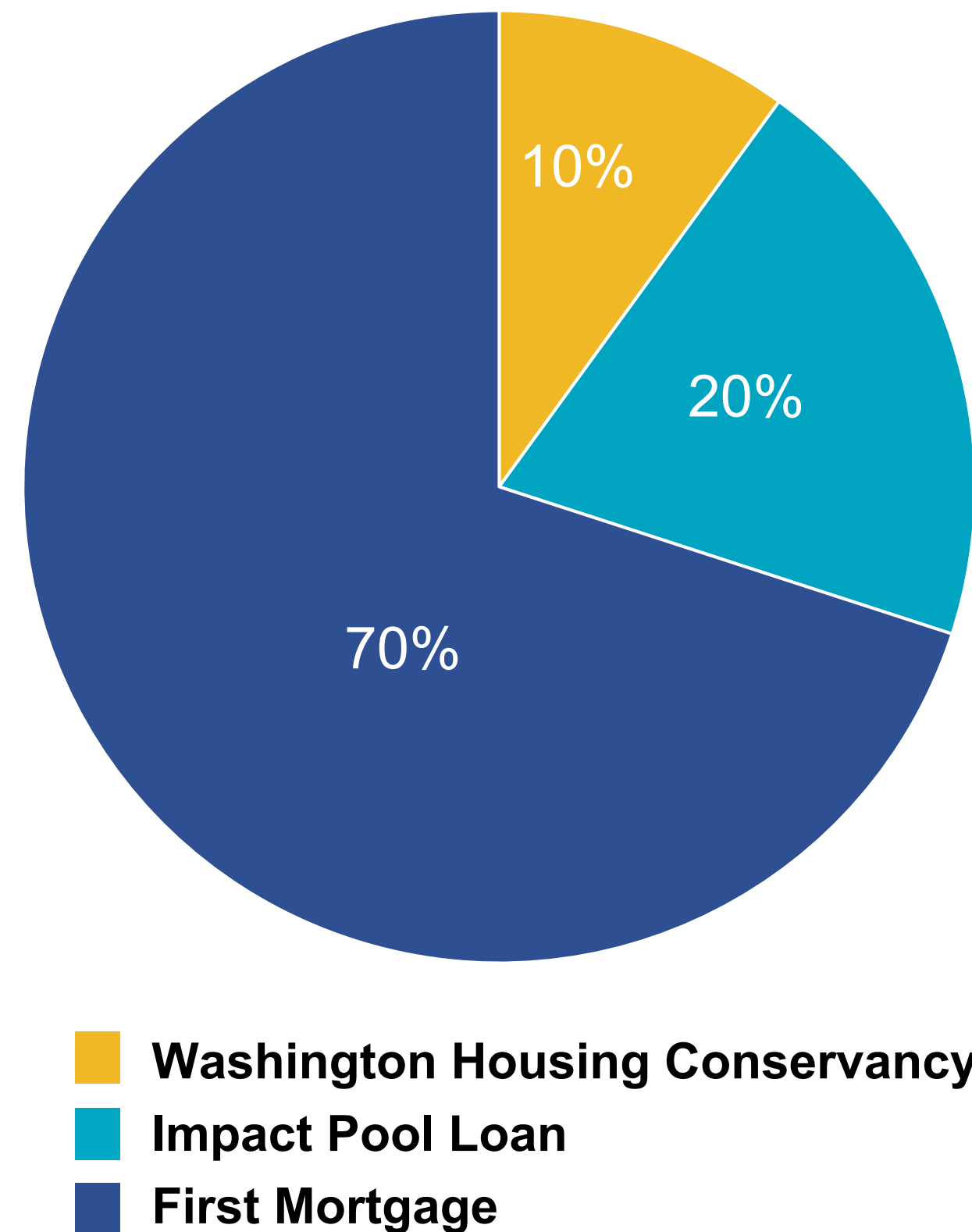
Lower cost of capital than traditional market financing

24% lower weighted average cost of financing



> Typical Deal Structure Example

Example Project Funding



Purchase of a 150-unit property¹

Total Cost: \$32,251,313

Average Monthly Rent: \$1,583

IMPACT POOL INVESTOR NET RETURNS (\$000)^{2,3}

Initial Investment	(\$6,450)
Current Interest	\$1,244
Principal (Repaid at Maturity)	\$6,450
Return	\$4,814
Cash Returns	\$12,508
Multiple	1.94x

¹ The example shown is for illustrative purposes only and does not represent an actual acquisition.

² Investor returns capped at 7% IRR. Returns above the 7% cap are donated to the Washington Housing Conservancy.

³ Annual Impact Pool operating expenses are capped at 2% of committed capital. The above reflect returns net of this expense cap.

> Your Expected Returns¹

- The Impact Pool seeks to provide investors a total 7% IRR
- Most of the return is expected to be tax-exempt
- Returns above the 7% threshold are donated to the Washington Housing Conservancy
- The Impact Pool intends to exit investments through refinancing at the end of the loan term

Achieving target returns without the sale of assets brings stability to communities.

¹ The example show is for illustrative purposes only and does not represent an actual acquisition.

² Assumes 1.5% AM Fee fo³ Assumes 20% promote over 6% IRR for Typical Investment Fund.

³ Typical Investment Fund.

⁴ Excludes tax benefit from donation from Impact Pool to the Washington Housing Conservancy. Assumes 49.8% ordinary income tax and 32.8% capital gains tax.

⁵ Returns to the Impact Pool are capped at 7%. All returns above the cap are donated to the Washington Housing Conservancy.

How your expected returns compare—at a glance

	IMPACT POOL (IN THOUSANDS)	TYPICAL INVESTMENT FUND (IN THOUSANDS)
Investments	\$ (150,000)	\$ (150,000)
Project Returns	9.4%	12.6%
Distributions	\$ 289,175	\$ 331,068
Less		
Expenses/AM Fee ²	\$ (30,500)	\$ (21,690)
Profit Sharing ³	\$ -	\$ (19,303)
Tax Liability ⁴	\$ -	\$ (58,742)
Charitable Contribution ⁵	\$ (2,469)	\$ -
Investor Return	\$ 106,206	\$ 81,333
IRR	7.0%	7.0%
Equity Multiple	1.71x	1.54x

The Impact Pool targets after-tax returns equivalent to many traditional opportunity funds, while at the time delivering significant social impact.

> The Benefits Of Our Triple-Bottom-Line Framework

- Investments and donations are highly leveraged:
 - Impact Pool – 5:1
 - Washington Housing Conservancy – 9:1

