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# The Purchase Of a Lifetime

The Bank Balked. Neighbors Grumbled. But These Poor Tenants Would Not Be Swept Away in the Real Estate Boom.

By Debbi Wilgoren
Washington Post Staff Writer
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The community room filled early that July night in 2002. The tenants of Capital Manor were about to learn how much it would cost to stay in their apartments.

Their century-old complex -- three buildings with 34 units each -- was a dilapidated eyesore in a gentrifying D.C. neighborhood. Its ceilings sagged, the window frames were cracking, the front-door intercom hadn't worked in years. In the summer, residents seeking refuge from stifling apartments shared the sidewalk with drug-dealing toughs.

Across the way was another threat -- but also proof of what could be. Refurbished Victorian rowhouses lined the north side of the 1400 block of W Street NW, reminders of the wave of wealth sweeping up from U Street and pushing out poor and working-class residents. Rents in the new, nearby luxury apartments routinely topped $2,000, compared with Capital Manor's average $663.

These black and Latino tenants knew they had to buy their complex or risk being displaced by a new generation of city dwellers, most of them white.

They had chosen a developer to guide them through the process. His colored marker now squeaked across a whiteboard at the front of the room.

*$1,500*, he wrote. That's what each family would have to come up with in the next six weeks.

Looks of disbelief spread through the room. The 25 tenants gathered here were dishwashers, janitors, people on public assistance. They scrimped each summer to buy school supplies and saved for months for Christmas. To most of them, the number seemed astronomical.

"How many people do you actually think have that kind of money just sitting somewhere?" demanded tenant association President Deborah Thomas, 48, who had spearheaded the purchase effort. "We were talking about making it so we could afford to stay here."

Their developer explained that the money was needed to show potential lenders that the tenants were committed to the project, as well as to pay for engineering and architectural studies.

Then Aaron W. O'Toole, the tenants' attorney, spoke up. "If 50 people can't sign a reservation form and put down a couple of hundred dollars," he said, "it's over."

Thomas returned to her apartment with trepidation. Within the hour, her phone started to ring. In Spanish and English, the callers had the same message.

*No puedo pagar.*

I can't pay.

After a year of hard work, of carwashes and raffles, of meetings and late-night phone calls, the whole plan seemed to be disintegrating before her eyes.

The saga of Capital Manor's rebirth as a tenant-owned cooperative played out over 4 1/2 years, starting in spring 2001. It finished successfully last month, with the last original tenants moving into their freshly renovated apartments. In a neighborhood that has become one of the most sought after in the city, this was a rare accomplishment: the $12 million purchase and rehabilitation of three buildings by tenants whose average income hovered just under $20,000 a year.

The undertaking, one of the largest tenant purchases in the city, was a struggle all the way. The residents had to convince the District government that their plan was worthy of funding and prove to a bank that they were committed enough to handle a loan. Even then, work progressed at an excruciatingly slow pace. They faced opposition from wealthier neighbors, who wanted them gone, and defections within their own ranks. Their renovation plan changed drastically. The Washington Post has followed the project since the tenants first organized.

Why they succeeded starts with their leaders -- longtime residents, led by Thomas, who passionately believed that they had earned the right to stay in their homes. They came to rely on two young men: their attorney, O'Toole, who worked at Georgetown University's nonprofit Harrison Institute, and their developer, Jair K. Lynch, who pulled the financing together and managed the project. They were lucky enough to find a sympathetic bank that took a chance on them and to make their move at a time when the city was under pressure to slow the hemorrhaging of affordable housing.

"The passion from the tenants was so obvious to us that we certainly had no option but to find a way to make it work," said Stanley Jackson, who was head of the city's housing development agency when the project was launched and now serves as a deputy mayor. "People who otherwise would not be here will be able to be a part of all of the great development of this neighborhood."

The three buildings of Capital Manor originally housed middle-class families but were converted to low-income apartments through a federal program in the 1970s. Thirty years later, the federal subsidy -- and the tax benefits that went with it -- were about to expire. Besieged by developers, the company that owned Capital Manor put it on the market in March 2001 and eventually signed a contract to sell it for $3.4 million.

Thomas knew that D.C. law allows tenants of an apartment house to match any purchase offer -- an unusual way to keep tenants from being displaced and to allow them to benefit when housing values climb. A decade earlier, the tenants of 1424 W St., just down the block, had converted their building into a cooperative. Now, Thomas thought, maybe she and her neighbors could do the same. She began to spread the word.

Meetings were held in the fluorescent-lit basement room, where men in work boots sat on mismatched chairs next to tired-looking women, some with squirming children on their laps. Everything was translated into Spanish, since many of the Latinos spoke little or no English.

They soon learned that buying the buildings would be only the starting point. The complex was badly in need of repair. Fixing it now would more than triple the price tag, their advisers told them, but would avert a crisis later.

The tenants formed an association and elected Thomas president. They could not have picked a more committed leader, or someone who had more at stake.

She'd lived on W Street for nearly 30 years. Her life, in dramatic ways, had paralleled the fortunes of the block.

When it was a respectable working-class haven, she was a church-going young woman who made good grades and followed the strict rules laid down by her mother, a hotel maid. By her mid-twenties, though, the 1400 block had become the city's largest open-air narcotics bazaar, so bad that police sometimes barricaded the street in a futile attempt to keep the addicts away. Thomas was living in an apartment a few doors down from Capital Manor, working a series of low-paying jobs. She steered clear of drugs for awhile but eventually tried crack cocaine and got hooked. Already the mother of two sons by two men, she gave birth three months early to a daughter who, she soon learned, was blind.

Thomas decided that she could not be both a mother and a crackhead. "I just stopped" using drugs, she said. She was working again and leading tree-planting efforts to beautify her battered neighborhood when an estranged boyfriend hurled a Molotov cocktail through the open window of her apartment, setting it ablaze and leaving her severely burned.

By this time, the U Street Metro station had opened, and the drug trade was melting away. Luxury developers were buying up long-empty lots.

Back on her feet, Thomas became immersed in the issues transforming W street and was elected an advisory neighborhood commissioner. With the help of a federal housing voucher, she rented a three-bedroom apartment in Capital Manor. When the complex was put on the market the next year, she saw her chance.

Ownership would mean stability -- for her family and her neighbors. "I don't want my kids to have to grow up and struggle. I want them to have a place," Thomas would say. "They'll never have to worry where they're going to live."

Thomas's top lieutenants were Peggy Fitzgerald, an old friend who was elected association vice president, and Osmin Rodriguez, a Salvadoran immigrant who had moved into the complex as resident manager five years earlier.

Fitzgerald, 59, had lived at Capital Manor for 28 years and had no intention of ever leaving. She'd raised three children and was now raising two grandchildren. Divorced for two decades, Fitzgerald had worked construction until her mid-fifties, then retired on disability after her back gave out. She struggled with diabetes and high blood pressure. Now she spent her time plotting strategy with Thomas and tracking tenant association dues and membership figures.

Rodriguez, 35, often worked alongside them, acting as a liaison to the Latino tenants. As resident manager, he earned more than most Capital Manor tenants, enough that a small house in the suburbs would not have been out of reach for him, his wife and their toddler son.

But Rodriguez was attached to Capital Manor. When he was hired in 1996, he'd been given a mandate to clean up the complex, at that time barely two-thirds full. In his first few weeks on the job, Rodriguez said, he initiated more than 20 evictions, many for drug-related reasons.

By 2001, when the complex went on the market, the drug dealers had moved down the street and the vacant apartments had been filled with new families. A community was being built here on W Street, Rodriguez felt. He did not want the overheated real estate market to blast it apart.

In those early months, the tenant leaders invited a parade of speakers -- public interest advisers, city officials, developers -- to educate them about the tenant purchase process.

Marian Siegel, a housing counselor, was one of the first. She provided a crash course in collaborative entrepreneurship. In a pronounced Long Island accent, her face shiny with perspiration, she reeled off a long list of suggestions and cautions, pausing every few sentences so Rodriguez could translate.

Interview at least three lawyers and three developers before picking one of each to work with you, she advised. Charge monthly dues to members of the tenants association, even if it's only $5 or $10. Organize fundraisers.

"If you don't do something out of your own pockets, it lessens your commitment," Siegel said. "And if you can't put together a yard sale, how are you going to buy this building?"

She left them with a warning: "Be patient. Because this will take a long time."

In fall 2001, while Washington was reeling from the Sept. 11 terrorist attacks, the tenants selected Georgetown's public-interest law clinic to represent them. The clinic assigned them O'Toole, a 29-year-old lawyer who spoke passable Spanish and had guided three smaller tenant-purchase efforts.

Next, the association interviewed developers. Most offered a package known as a low-income tax-credit deal, in which investors purchase and renovate a building in exchange for a federal tax break. After 15 years, the tenants can buy them out at a preset price.

But these tenants, who had been meeting for months, wanted to buy their buildings right away. Advocates including Siegel had told them that they could form a cooperative. That way the buildings could never be taken from them, and they, too, eventually could benefit from the soaring property values.

"This tenants association has already voted, and we want ownership," resident Nerissa Phillips snapped at one developer who offered a tax-credit deal. "So you can make your presentation, and we will listen. But that's our goal."

Only Lynch, 30, said he would find a way. He said he would seek financing from private lenders, foundations and government and obtain the help of a nonprofit housing development group.

Lynch grew up in the District, the son of a college professor from Trinidad and an economist from Colombia. A world-class gymnast, he graduated from Sidwell Friends School, then earned a degree in urban planning and engineering at Stanford University. In 1996, he won a silver medal at the Olympics in Atlanta. He returned to the District to launch his own development firm in a restored U Street rowhouse.

Capital Manor's tenants deserved to share in the corridor's rebirth, Lynch often said, because they had endured the worst of times. "They're survivors," he said. "They were here when things were tough."

Some tenants worried privately about Lynch's youth and relatively limited experience. But the March 2002 vote to retain his firm was unanimous.

One year into the ownership drive, Lynch and the tenants agreed on a plan: Refurbish and sell one of the three buildings as market-rate condos, then use the profits to repair the other buildings. Those buildings would become a low-income cooperative, collectively owned by the tenants. Lynch's firm would be paid about 10 percent of the cost of the project, conforming to the city's affordable-housing guidelines.

A few people expressed concern about giving up one building. But Lynch said it was doubtful that more than two-thirds of the tenants would commit to join the cooperative. Nowhere near that number had been paying monthly dues or showing up for meetings.

He pledged to help those who left the complex find decent places to live, as close by as possible, and the tenants agreed.

It was better, Thomas thought, than watching the entire complex soar beyond their reach.

Four more months had passed by the time Lynch announced the $1,500 deposit figure and people started bailing out. Thomas called an emergency meeting of the tenant board. They compared notes, tallied the number of tenants threatening to quit and started to panic.

Thomas appealed to O'Toole, the attorney, who said there was nothing sacred about the $1,500 amount -- it was just Lynch's estimate of what would cover costs and impress the banks.

What's the smallest amount that would impress them? Thomas asked.

What's the most you think the tenants can give? came the reply.

Together, they agreed to gamble on $500, still a huge amount for most tenants and perhaps enough to convince the banks.

Only $100 would be due at the July 23 tenants meeting, less than two weeks away. Tenants would have until Sept. 15 to come up with the other $400. If they succeeded, the rest of the down payment would be due when renovations began.

The day of reckoning was a sweltering evening that felt even worse inside the community room. About 40 people showed up, many more than had been coming in recent weeks. Lynch sat in the front row, watching and waiting. He had received an e-mail from O'Toole with the revised numbers. If the smaller deposits meant enough people would sign up, he would find a way to make it work. "This is a partnership," he said later. "You ask and sometimes they say no."

The tenants listened to presentations about city-funded programs available to poor home buyers and classes to teach them ways to save.

Then O'Toole stepped forward, holding the reservation agreement, which guaranteed a spot to all who signed up and paid.

"This is critical for us. Absolutely critical. We need to demonstrate the commitment of this group to the lenders," O'Toole said. "We want enough money to show that people are serious. But hopefully an amount that they can come up with. And that's . . . " -- he paused to glance at Lynch--" . . . $500."

O'Toole reminded the tenants that they needed commitments from at least half of the 102 households by the end of the summer -- but that more would be better. He began reviewing the four-page legal agreement, clause by clause, in English and then Spanish.

The line formed before he finished the second page. Black and Latino, young and old, at least two dozen tenants in all. Some clutched five crisp, $20 bills; others held freshly inked money orders.

Over the next seven weeks, 55 households put down deposits of $500, or as close to that as they could manage.

The last payment came 40 minutes after the deadline of midnight Sept. 15, when a woman knocked on Peggy Fitzgerald's door, panicked that she might be too late. Smiling even though she had been roused from her bed, Fitzgerald assured her that she was not.

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# At Each Hurdle, Stronger Resolve

To Win Over Lenders, Tenants Had to Compromise. They Had a Tougher Time With Neighbors Across W Street.

By Debbi Wilgoren
Washington Post Staff Writer
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The message D.C. housing officials delivered to developer Jair K. Lynch was clear. His plan to keep Capital Manor Apartments affordable by selling one of its three buildings was a no-go. Mayor Anthony A. Williams would not fund a project that would eliminate some low-cost apartments, even in the interest of saving others.

The time was September 2002, the mayor was running for reelection and real estate prices were exploding. Critics were blasting Williams for doing too little to prevent the displacement of the poor from newly posh neighborhoods. The city had set $25 million aside for housing assistance, and Lynch was applying for $2 million to help the tenants of Capital Manor buy their complex, 102 crumbling apartments just off the trendy U Street corridor in Northwest.

The proposal relied on selling one building at market rate and using the profits to help renovate the others, which would become a low-income cooperative. Now that plan would have to change, Lynch told the five officers of the tenants association board. To improve their chances of winning city funds, all three buildings had to go co-op and remain affordable. Nobody would be able to cash in at market rates for at least a decade.

Worse, Lynch made it clear that even with these changes, the District could still turn Capital Manor down. Competition for city money was fierce, and because of the high-priced neighborhood, their project required a higher city subsidy per apartment than other proposals. The decision would not come until December -- and an outside buyer was waiting to snap up the complex if the tenants did not close on their purchase by Jan. 15.

The news brought treasurer Kim Mitchell to her feet. "We're chasing and grabbing at something that we have no chance of getting," she snapped, her arms folded tight across her chest. "We keep meeting and we keep meeting, and we're not getting anywhere."

Resident manager Osmin Rodriguez was shaking his head, too. Revising the plan "doesn't work for me," he said flatly. He said he'd rather save for a home in an inexpensive suburb than continue fighting a losing battle, and he suspected other young Latinos in the complex might feel the same.

But the three others at the table were not willing to give up their dream. Association President Deborah Thomas, Treasurer Peggy Fitzgerald and Secretary Milagro Posada were older women, with deep roots in the neighborhood and few illusions about upward mobility. Their lives had been mostly scraping and struggling. They had never been comfortable with the idea of replacing one-third of their neighbors with rich newcomers, and they intended to leave their apartments to their children, not to sell them.

"I don't know about you, but I'm fighting for something," Thomas said. "When we started this, we had not one penny. And guess what -- we've been into this almost one year, and we're not outdoors yet. So that's enough for me to keep going. If we do nothing, we're going to end up with nothing."

Ultimately, the decision was up to the entire tenants association, which gathered in the basement community room a week later. Thomas, a former welfare recipient who now worked getting other women off the dole, stood in front.

"I thought we started this struggle to make sure we had a place to live," she thundered. "I've lived on this block for 30 years, and I'm not interested in being anywhere else."

Most of the tenants, including Mitchell's mother, were on limited or fixed incomes. They all knew of nearby apartment buildings that had been emptied and turned into condos none of them could afford. Changing the proposal was fine, one tenant after another said, if that would help keep their corner of the 1400 block of W Street populated by working-class families.

"A lot of people have worked really hard for this," tenant Danilo Nuez said in Spanish. "Let's get behind them."

In the end, the yes vote was unanimous.

"My mom wants to stay," Mitchell said afterward, by way of explanation. Rodriguez said he was committed to helping fellow tenants pursue their dreams.

"Don't group me with drugs. The faces they see here aren't the faces selling drugs on the street. And we were here first. And I'm not leaving."

While they waited for the city's decision, the tenants association worked on recruiting more residents to the project. Having more participants would bolster the application to the National Cooperative Bank, which had tentatively promised a $3.5 million acquisition loan and an $8.1 million construction loan. Nerissa Phillips and Solomon Moreno spent three hours one night preaching the gospel of collective home ownership door-to-door, offering tips in English and Spanish on how to save money for the down payments they hoped they would need. Give up chips and soda from the corner store, they suggested. Turn off your cell phone for a couple of months. Ask for cash for Christmas.

"We're all in the same boat. We all lose or we all win," Phillips said. "If someone is embarrassed because they're broke, well, we're all broke."

She and Moreno barely knew each other, although they'd lived three floors apart in the same building for years. Their joint effort was one of many small interactions unfolding across a cultural divide in the complex, which was about two-thirds Latino immigrants and one-third black residents. Until the tenant purchase effort, the two populations rarely mixed.

But the tenant board was chosen to include both. Meetings and documents were always translated. At a fundraising dinner, the $5 buffet featured chimichangas as well as chicken wings. Stereo speakers boomed hip-hop, then salsa, then hip-hop again. As the project moved forward, people who for years had passed each other in the dim hallways or concrete courtyards without speaking began exchanging polite greetings.

Arriving home one day loaded down with grocery bags, Fitzgerald noticed a Latino youth holding the door open for her -- for the first time in her memory.

Little such camaraderie, however, developed with the mostly white residents of the 19 rowhouses across the street. Built early in the 20th century for well-off families, the houses had transformed over the decades along with the fortunes of W Street. When drugs and crime overtook the block in the early 1980s, only the poorest families remained. But with the U Street Metro station set to open in 1991, white-collar professionals started buying and upgrading the rowhouses. By the time Capital Manor went on the market in 2001, all but two had changed hands.

The northsiders said they liked the idea of living on a street that was racially and economically mixed. But some owners worried that Capital Manor's run-down appearance detracted from their property values. They complained about noise -- Capital Manor's intercom system had stopped working years ago, so visitors often announced their arrival by blaring car horns. When Thomas proposed that the city build a playground on an empty lot between two rowhouses, the northsiders objected, saying it would become a magnet for thugs. The lot remains empty and has been put up for sale.

Kurt Ehrman, a government lawyer, said he was told when he bought his home in 2000 that the apartments across the street would soon be emptied and turned into condos. Instead, two years later, he saw fliers seeking community support for the tenant purchase.

"I'm all for diversity," he said. "I don't want anybody across the street -- except for those selling and buying drugs -- moved elsewhere. But coming up with enough money to make sure those buildings are truly renovated, so that those of us who have a lot invested are satisfied, is going to be very difficult."

Council member Jim Graham (D-Ward 1) was hearing from constituents on both sides of the street. Thomas, a political ally who had campaigned for him, sought and received his strong support for funding the tenant purchase. The northsiders, many of whom had also backed Graham's 1998 council bid, kept asking if he could stop the project.

In November 2002, Graham and Williams were elected to second terms. The next month, Graham called a meeting at the Reeves Municipal Center for his constituents on W Street. The topic quickly turned to crime. Rowhouse owners asked how the cooperative board would keep out drugs and violence.

"There was a shooting there. It didn't have anything to do with anyone in the building?" one man asked skeptically.

"Absolutely not," snapped Thomas. "Look around you." She gestured at Fitzgerald and several others. "We all have a lifetime of investment on this block. These are the people that are going to make the co-op what it is."

Graham ended the session after more than an hour, promising another soon. The tenants walked out to 14th Street, seething. The northsiders looked at them, they said, as if they were the drug dealers who sometimes loitered on W street.

"Don't group me with drugs," fumed Michelle Craig, a conventions concierge at a downtown Marriott. "The faces they see here aren't the faces selling drugs on the street. And we were here first. And I'm not leaving."

"We're trying to move the city forward. But we've got to bring everyone along, right?"

The stress was getting to Thomas. She remembers sniffling through a Dec. 21 doctor's appointment, sagging with anxiety about all that would be lost if financing did not come through. Then her cell phone rang. It was a co-worker. A fax had come in from the D.C. government. The tenants' application for $2 million had been approved. Thomas burst into tears.

Her doctor asked if she was okay.

"Now I am," she said.

The mayor announced the award the next day at a news conference at Plymouth Congregational United Church of Christ. In all, he said, the city would help fund 27 projects to create or protect about 1,850 low- and moderately priced apartments. "A safe, affordable home is a cornerstone of our community . . . a cornerstone of everything we're trying to do as a city," Williams said. "We're trying to move the city forward. But we've got to bring everyone along, right?"

Sitting shoulder to shoulder in the wooden pews, Thomas and Fitzgerald fervently nodded their heads.

Winning city money was supposed to help the loan application with the National Cooperative Bank, which specializes in affordable housing projects. The D.C.-based institution was considering financing the tenant purchase through its nonprofit affiliate and for-profit subsidiary. It, like most lenders, looked favorably on projects that had won support elsewhere.

But Alexandra Johns, a vice president at the bank's development corporation, called with some questions just before Christmas. She asked Lynch, the developer, why he hadn't conducted the usual engineering and architectural studies for a project of this nature. He explained that the previous summer, the tenants association had reduced the initial deposits to enable more people to join; the decision meant no money was available to pay for predevelopment work. Johns balked.

You've got to meet these tenants, Lynch told her. You've got to see the neighborhood, to understand what they're trying to do. The two set up a visit for Jan. 6, nine days before the purchase deadline. The president of the development corporation came, as did the bank's chief credit officer. They peppered the tenants and the project team with questions and toured one of the buildings.

But it wasn't enough. When members of the development corporation's loan committee met the next day, they decided that the deal was too risky. Unanticipated construction needs could send costs soaring. What's more, the funding letter from the city seemed tentatively worded. Committee members feared the $2 million in financing could fall through.

Lynch listened calmly to all the objections, Johns recalled. He quickly secured a new letter from the D.C. government, stressing the city's strong commitment. And he said that if costs climbed during the project, he would persuade the tenants to seek outside investors to preserve the complex as an affordable rental building.

On Jan. 14, loan-committee members reassembled.

They considered the U Street corridor, prices rising every month.

They considered the tenants, working toward the purchase for well over a year.

They considered the project team -- attorney Aaron O'Toole, from Georgetown University Law School's Harrison Institute; Manna Inc., the affordable housing specialists who were playing a supporting role; and Lynch, the former Olympic gymnast whose office was just a few blocks away from Capital Manor, whose portfolio was dominated by projects that guaranteed poor people a place to live. Because the budget was so tight, Lynch had cut his fee by 20 percent.

"I found myself saying to people, 'silver medalist,' " Johns recalled later. "This is somebody with a history of focus and successful leadership, who's from this neighborhood and is committed to this project."

The committee approved the $3.5 million loan to buy the building and said details of the construction loan could be worked out later. The closing date was pushed to Jan. 24. Loan officer Renee Jakobs processed the paperwork faster than she had ever done before.

"Is there a piece of paper I can have that says we own?. . . . I just want to walk away with something that says it."

Jakobs took a taxi to a Thomas Circle law office for the closing, a foot-high stack of papers in her arms. She didn't normally go to closings, she said, but she wanted to be there for this one. The room was crowded with people -- among them Thomas, the tenants association president, in a bright-red wool coat; Treasurer Mitchell, equally vivid in a salmon-colored sweater; Lynch; O'Toole and his boss, Michael Diamond.

Rodriguez was there as well. He had quit his job as resident manager a few days earlier after a clash with the soon-to-be-former owners of the complex. He planned to move back into Capital Manor as soon as the tenants association assumed control and eventually launch his own small construction business.

Shyly, he unveiled a bottle of Moet & Chandon champagne and glass flutes. O'Toole then opened his own bag to reveal another bottle of bubbly and plastic cups. The attorneys reviewed the papers. Thomas began to sign. An hour later, the deal was done.

"Is there a piece of paper I can have that says we own?" Thomas asked. "I know they're going to send us a big package, but I just want to walk away with something that says it."

The deed and the settlement statement were photocopied, the champagne was uncorked. The attorneys insisted that Thomas, Mitchell and Rodriguez drink from the glass flutes.

"Tenants get the real deal?" Thomas joked.

"Not tenants -- owners," Diamond corrected her. "Owners get the real deal."

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# A Crash Course in Responsibility

With Capital Manor Reborn, Co-op Members Step Into Their New Role as Homeowners

By Debbi Wilgoren
Washington Post Staff Writer
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For a victory party, the mood was dismal.

A few dozen residents of Capital Manor gathered under a neon-green "Congratulations!!" banner on a January evening in 2003 to toast their achievement: Nearly three-quarters of the people who lived in the low-income complex had signed reservation agreements and put down deposits to buy their apartments. They had staved off the gentrification sweeping the U Street corridor and hung on to three century-old buildings in the 1400 block of W Street.

But the complex they now owned was falling apart. Renovations had to be done and paid for. Vandalism had to stop. As home-baked cakes sat untouched at the front of the room, Deborah Thomas, the woman who had spearheaded the purchase effort, lectured her neighbors about taking responsibility.

"If you see your neighbor's kids hitting on the walls or breaking windows or dragging trash through the halls, don't forget that money to fix those things is coming out of your pocket," she said. "We can no longer call the owner to say, 'This is broke, that's broke. . . . We *are* the owner. We're going to have to come up with the money to have it fixed."

Hands flew up. It's not so easy, one woman said in Spanish. Boys from down the block roamed the hallways of her building, smoking marijuana. They trailed residents into the building and slipped pennies into the door frame, jamming the lock so they could leave and reenter at will.

Call the police, urged Thomas, prompting an older man near the back to shake his head. He'd done that, he said, only to have the cops show up and let slip to the youths the apartment number from which the 911 call was made.

"The next day, I've got a problem," the man said.

Then Aaron O'Toole, the residents' young attorney, stood to remind them to save for their down payments, which would be due when renovations began. The payments -- $2,300 for a one-bedroom, $3,200 for a two-bedroom -- were cheap for the neighborhood but daunting for those in the room.

"I'm going to be eating a whole lot of hot dogs," sighed Michelle Craig, a single mother who worked for Marriott Corp.

"Hey," said the woman next to her, nodding. "Peanut butter and jelly."

The members of the newly named Capital Manor Cooperative were beginning to understand that entry into the ownership society also carries burdens.

The next 18 months were bleak. Renovations of the 102-unit complex, scheduled to start in September, were put on indefinite hold because the $8.1 million construction loan was delayed. With the operating budget already cut to the bone, basic repairs went undone. In one building, the boiler's pilot light kept going out, and co-op association Treasurer Peggy Fitzgerald got up twice each night to relight it.

O'Toole, who had shepherded the purchase effort for nearly three years, left Georgetown University's public-interest law clinic for a private firm. His boss, Michael Diamond, a stranger to most residents, took over.

Drug dealing and loitering continued outside the complex. One resident, Rafael Cruz, was robbed at gunpoint on Christmas Eve as he returned from a trip to the grocery store.

As the bad news mounted, several families announced plans to move. Cash flow withered each time one of them turned in their keys. There was no arrest in Cruz's robbery, and within a few months he left also.

"People are not seeing renovations take place. . . . People don't have heat or hot water. . . . People are frustrated," sighed Thomas, president of the cooperative association. Overwhelmed by the demands of the project, she'd given up her full-time job and was subsisting on part-time work counseling at-risk teenagers.

Gaining ownership did not guarantee success. Thomas constantly reminded her neighbors that what was happening at the other end of the block could happen to them, too.

She meant 1418 W Street, a building that had been condemned by the city a few years back. Thomas had lived there for decades, as had her parents. She moved to Capital Manor just six months before the city declared 1418 unlivable and charged its landlord with hundreds of housing code violations.

As part of a plea bargain, the landlord sold the building to the tenants for $1 in August 2000. Over the next three years, the former residents met endlessly with attorneys and consultants, trying to forge a renovation plan.

But condo developers kept calling, offering huge amounts to buy them out. Some resisted. But when in August 2003 a pair of developers offered $2.5 million, those people were outvoted. Each family received $114,000 -- a nice windfall, but not nearly enough to buy or rent at market rates in the neighborhood. Thomas's mother, Louise, who had voted against selling, secured an apartment at Capital Manor. Most of her former neighbors moved away.

Deborah Thomas was devastated by the loss of 1418 as a place where people of modest means could live. More than ever, she felt the importance of saving Capital Manor from a similar fate.

Longtime residents have "gone through dodging bullets and drugs and trash in the tree boxes," she said, "and then when it's all nice and clean everyone else wants to move in and push us out. Some of us are here by force. We couldn't afford to go anywhere else."

And yet, even as the residents pursued their goal, they found themselves frustrated by the project's limitations. Their pleas for fireplaces and walk-in closets were gently turned down. Jair K. Lynch, their developer, said construction funds would have to go toward the basics: sprinkler systems and new roofs, repairs to faulty wiring and worn-out heating and cooling systems. Residents pleaded for gas stoves; Lynch agreed but said they could not be individually metered. New washers and dryers would be ordered and installed -- but in the same old basement laundry room, not in each unit. Kitchens got new cabinets, refrigerators and stoves, but not dishwashers.

Most of the work, Lynch explained, would take place behind the walls -- "the heart and guts of the building that haven't been taken care of." It had to be that way, he insisted, even though "I don't know if the average person will appreciate a little sprinkler head poking out of the drywall." These homeowners could not afford major repairs down the road. They needed their buildings to be in top shape from the start.

Residents took to grousing about all the project lacked. "Amenities? What are we getting? Nothing," Sylvia Griffis said during a meeting.

No Internet connection. Not even a choice of paint color.

"What they're offering us is a place to stay that is affordable," countered Kim Mitchell. "A two-bedroom, two-bath in this neighborhood -- that's a half-million dollars. I understand where you're coming from, but unless people are ready to sacrifice or to find new resources, we're not going to have no amenities."

Things began to improve in September 2004, after the construction loan from affiliates of the National Cooperative Bank finally came through. A year after the original start date, renovations could now begin.

To mark the occasion, a load of dirt was deposited outside the buildings one rainy afternoon. Mayor Anthony A. Williams joined Thomas, Lynch and others in donning a plastic hard hat and grabbing a shiny new shovel to plunge in.

Nerissa Phillips, now the association secretary, came to bear witness. "The only way we can lose it now is if we mess up," she said approvingly. "We cannot be booted from the neighborhood, no matter how high the property values get."

Of the 102 households living at Capital Manor when it was put up for sale three years earlier, about 70 remained. Some families had never expressed interest in buying; others grew tired of waiting and left. Five senior citizens took advantage of a D.C. law allowing them to stay on as renters, and the board extended that same option to a developmentally disabled man. A few residents who failed to deliver their down payments had to be threatened with eviction before they agreed to leave.

The departures were unsettling, but there was a bright side: remaining members would not have to move away during construction. Those who lived in one building could relocate into empty units in the others while the work was being done.

The first round of moving was chaotic, with furniture broken and belongings lost. Renovations took longer than expected. But by mid-March of this year, 1436 W Street was reborn, with new windows, a working front-door intercom and fresh, brightly lit corridors. Every apartment had fresh off-white paint, new carpeting and a redone kitchen. Small sprinkler heads poked from the ceilings like sentries.

Once again, there were glitches. Peggy Fitzgerald's toilet overflowed all over her cream-colored carpet because a contractor had forgotten to flush out the pipes. The laundry machines didn't arrive on time, so Thomas, deluged with complaints, had the old machines temporarily reinstalled.

At the same time, there was a palpable sense of excitement.

Ingrid Campbell, the relocation manager, buzzed from apartment to apartment, hovering over residents as they packed up the temporary quarters and prepared to go home.

"I want you to vacuum out everything," she instructed Jose Diaz, 27. "And I want the refrigerator sparkling."

"It already is," Diaz countered, grinning. "You want to see?"

When Diaz mentioned that he would no longer have room for a pair of upholstered chairs, Campbell sifted through her mental list of residents and suggested offering it to a family on the third floor. "They don't hardly have furniture," she said.

Diaz had lived at Capital Manor almost exclusively since immigrating from El Salvador in 1995, first with his mother and sister, later with an uncle, Rafael Cruz, the victim of the armed robbery on Christmas Eve 2003. More recently, his girlfriend and her young son had moved in. It was a tight squeeze in his one-bedroom apartment, he acknowledged, but he would feel good knowing the space belonged to him.

"We all have a dream to own something," Diaz said. "I live here, and I don't see myself living someplace else."

With the first building completed, the second was emptied. This time, construction progressed more quickly, but some were not satisfied. Board Vice President Osmin Rodriguez, for one, complained that the floor of his apartment sagged just as it had before the renovations. Contractors said the building's foundation had sunk, but Rodriguez was not convinced.

"It hasn't gone half the way I wanted it to go. But . . . it's all right," he said shortly before moving back into his old apartment in mid-July. "It's still great, but it's not as great as I thought it would be."

Renovations of the last of Capital Manor's buildings were completed Thanksgiving week, and a ribbon-cutting is scheduled for this afternoon. But the transformation of the complex is still underway.

Thirty new households must be selected to fill empty apartments. Applicants cannot earn more than 80 percent of the area's median income (currently the income limit is $71,400 for a family of four). Their down payments will be $12,000 or $20,000, depending on unit size -- much more than what the original residents paid. Lynch, the developer, calls the arrival of more moderate-income families "managed change."

A mix of incomes is a good thing, he said -- "the middle ground between stagnation and gentrification." The next stage, he added, "is to really start building the bonds, the glue."

Lynch was talking about the new and old members of the co-op. But on W Street, the challenge also extends to forging ties with the mostly white, mostly affluent homeowners across the street -- many of whom still regard Capital Manor as a blight. They hate the bright new security lights, which shine into their bedrooms, and they don't understand why there wasn't enough money to spruce up the facades.

"Their renovation hasn't been some great boon to the neighborhood," said Kurt Ehrman, a government lawyer who bought his rowhouse in 2000. "It hasn't been a boon to my home equity."

Concerned that he will be seen as "the complaining, rich, white neighbor," Ehrman hastens to add that he has befriended some of the older women across the street; one invited him in to see her renovated apartment. He has clashed with Thomas in the past but said last week that he hopes to build a relationship with her as well.

Residents of Capital Manor grouse that northsiders rarely come to their block parties and celebrations, or even greet them on the sidewalks when they pass. Orange Hat patrols of the block, launched by the Meridian Hill Neighborhood Association, are welcomed by many northsiders. But members of the cooperative find them intrusive.

The young men on the corner do not need to be shooed away, said Craig, 50, who has known many of them since they were in diapers. "They're not all drug dealers, they're not all going to rob you," she said impatiently. "Some of them are working for Metro. Some of them are doing construction. They have jobs, but they get together and hang."

At least one northsider is determined to bridge the two sides of the block. Sonal Sheth, 31, rents a room in a rowhouse and directs an afterschool youth program in nearby Petworth. One day last summer, she took a Frisbee across the street and asked the kids if anyone wanted to toss it. No one did. But she ended up sitting on the stoop with 15-year-old Jasmine Thomas, Deborah's younger daughter. Together, they sketched out a mentoring program in which residents of the rowhouses would tutor the children of Capital Manor and take them on field trips.

"It's two worlds that certainly can come together," Sheth said. "It didn't happen this fall, but I think it will happen next spring."

On a recent Sunday, on the way home from church, Thomas and her mother noticed balloons outside their old building, the one condemned by the District government years ago.

A smiling, smartly dressed woman stood in the entryway of 1418 W Street, handing out information about the newly rehabbed condominiums in "The Hamilton on W Street." Thomas and her mother looked at each other, then at the familiar building. They had to go in.

The kitchen cabinets were cherry, the countertops a dramatic, dark green sweep of granite. Appliances were shiny stainless steel. Prices started in the high $300,000s and topped out at $545,000.

Thomas drank in the hardwood floors and exposed brick, wondering how much it would cost to line a wall of her unit with similar masonry. She pictured a fireplace in her living room.

Then Thomas and her mother walked out of the building and down the block to Capital Manor. Thomas unlocked the door and entered the apartment she will one day leave to her children.

While the balloons flitted in the sunshine down the street, Thomas and her mother, part-owners of a multimillion-dollar cooperative, sat down to a Sunday dinner of macaroni and cheese, baked turkey wings and greens.