

Ann Arbor Housing and Human Services Advisory Board
Ann Arbor Affordable Housing Fund Policy Discussion

Background (as presented at April 11, 2024 meeting)

- The Ann Arbor Affordable Housing Fund has been in place since 1989; the funds come from housing developers, when PUD approval or other zoning ordinances trigger a payment to the fund (in lieu of, or in addition to, building affordable units as part of their project.)
- The Ann Arbor Affordable Housing Millage (Prop C), was approved by voters in Nov 2020; this is a 20-year levy that runs from 2021 through 2041.
- In 2022, HHSAB began to review the policy for the Ann Arbor Affordable Housing Fund (AAHF) – last revised in 2014 - in light of the new Affordable Housing millage and the need to develop policy for administering the millage funds.
- OCED and Ann Arbor Housing Commission were exploring with the HHSAB how a joint policy might be developed that would cover both the Affordable Housing Fund and the Millage fund.
- Since those discussions in 2022, a key change occurred: In June 2023, Ann Arbor City Council approved a grant agreement with the Ann Arbor Housing Commission (AAHC) for the AAHC to be the administrator for the Millage fund.
- Because these 2 funds are now administered by 2 different entities (the City and the Housing Commission), staff is no longer proposing a combined policy that covers both Funds.
- However, it may still be beneficial to design a streamlined RFP process for issuing AAHF and Millage funds (for non-AAHC projects) together. This will need more discussion.
- The first step is to make revisions to the Ann Arbor Affordable Housing Fund policy.
- ~~Next will be discussion of a new RFP policy that would serve this Fund but may also apply to the Millage funds (TBD).~~
- Recommended policy change or new policies will need to go to City Council for final approval before they take effect.

Process and Key Changes Proposed

- Review updated track changes showing proposed revisions to the Policy – reflective of HHSAB discussion at April 11, 2024 meeting and subsequent input from Tara Cohen of OCED and Jennifer Hall of AAHC.
- Today (or June meeting): HHSAB to vote on proposed policy revisions for Council approval. OCED staff to submit for Council meeting agenda.
- Staff to bring set of draft AAHC application forms for consideration/input in next few months. (Updated/new forms should not require Council approval.)
- Key proposed revisions for HHSAB discussion include the following:
 - Income restriction for affordable units: Change from “less than 60% AMI” to “at or below 60% AMI”

- Remove “administration of affordable housing programs” in list of eligible uses of funds
- Remove “rental assistance” from list of eligible uses
- Restrict pre-development funds to non-profit developers only
 - To be given as grants (not loans), and limited to \$100k per project
- Application Review Process: Increase project budget amount that would require City Council approval to \$75,000 and above (previously \$25,000 or above) to align with City of Ann Arbor’s recent changes to their procurement policies.
 - Projects under \$75,000 would only require administrative approval by OCED but would be reported out to both HHSAB and City Council.
- Remove “individuals” from list of entity types eligible to apply for and receive AAHF funding.
- Restrict funding for projects within the City limits (current policy says projects in City limits are priority but will allow funds to be used on projects outside the City limits.)
- Terms and Conditions: Change affordability term to be based on type of project:
 - New Construction – 30 years
 - Rehab – 5/10/15 years (based on per unit subsidy)
 - Pre-Development – 30 years for resulting project (if new construction); 5/10/15 years (if rehab or acquisition/rehab)
 - Added verbiage that projects which commit to more than the minimum affordability term will receive more favorable consideration (see Distribution and Uses of Funds)
- Eligibility Requirements section has been fleshed out more and restructured into 3 distinct processes:
 - 1) Administrative Approval for Projects Under \$75,000
 - 2) Open Rolling Application for Projects \$75,000 to \$250,000
 - Review applications by batch on quarterly cycle
 - Applicants invited to present at HHSAB prior to HHSAB award recommendation
 - No formal scoring process/rubric
 - 3) Competitive Sealed Bid Process for Projects and/or Funding Over \$250,000
 - RFP will be issued within 6 months of funding availability
 - Applicants invited to present at HHSAB prior to HHSAB award recommendation
 - Will be scored with formal process/rubric
 - Note: RFP will need to be administered through the City’s purchasing department, so cannot combine with County HUD but process can be aligned when/if feasible.
- Deleted entire section on “Application Requirements” – application form will need to be updated to include appropriate content; intention to have 3 different application forms: 1) Acquisition and Rehab; 2) New Construction; 3) Pre-development only. In coming months, staff will share draft forms for HHSAB input.
- OCED role as staff to HHSAB and administration of the Affordable Housing Fund should also include “seeking third party underwriting review”

Questions/Issues for Consideration

- The recommended process for Open Rolling Application will delay review and award decisions for those applicants. Current policy states a “30 day review” process, whereas this process will mean waiting up to 4 months for a recommendation and possibly longer for approval from Council.
- Should we add in an exception for “emergency” funding requests \$75k and up? Would OCED be authorized to make a determination whether the request should be treated as an emergency?
- For minimum required affordability terms: The County requires 30 years for all HOME funded projects, whereas HUD requires only 20 years for new construction and the tiered terms (5/10/15) for rehab projects based on the per unit subsidy.
 - Are members comfortable with being as stringent (or more stringent, for new construction) as HUD with these funds?
 - Do you want to require longer terms for for-profit developers vs non-profit?
 - Do you want to differentiate based on rental vs homeownership vs coop projects?

ANN ARBOR AFFORDABLE HOUSING FUND

PREFACE

The Ann Arbor Affordable Housing Fund was first proposed in the City of Ann Arbor Housing Policy adopted by City Council in July, 1989. The Affordable Housing Fund guidelines were developed by the Community Development Department and approved by the Housing Policy Board in February, 1991 and by the Ann Arbor City Council in April, 1991. Since its inception, the Housing and Human Services Advisory Board (HHSAB) has recommended and City Council has approved a range of housing projects with the vast majority targeted for residents with the lowest incomes.

STATEMENT OF PURPOSE

The Ann Arbor Affordable Housing Fund is established for the creation and preservation of long term affordable housing for households with incomes at or below 60% of the City's Area Median Income (AMI) as defined by HUD or successor government department or agency that determines area median income. Further, the Fund is established to improve housing conditions for City of Ann Arbor residents, with priority given to those whose income is at or below 30% of the median household income.

It is the goal of the City to provide a full range of housing opportunities to all its citizens. It is the intent of the City to administer this fund in a flexible manner in order to best meet the housing needs of the City.

The Ann Arbor Affordable Housing Fund is established to provide financial support in the form of loans, grants or other forms of financial assistance to organizations or projects that create or preserve long term affordable housing.

ESTABLISHMENT OF FUND

The Mayor and City Council established by resolution a special revenue account under the name "Ann Arbor Affordable Housing Fund" with revenues specifically dedicated to the Affordable Housing Fund by City Council, through donations, grants, and general fund allocations from public and private sources. It is the intention of the City Council that the Affordable Housing Fund be a dedicated fund in perpetuity for the purposes established in this document. Principal and interest from loan repayments, proceeds from grant repayments, forfeitures, reimbursements, investments, and all other income generated from Fund activities will be deposited into the Fund. Funds repaid to the City from any of the above sources shall be administered subject to applicable federal, state and city requirements. All funds in the account earn interest at least at the same rate as the City's pooled investments managed by the City Treasurer. All interest earnings from the account are reinvested and dedicated to the account. All appropriated funds in the Affordable Housing Fund are available for eligible program expenditures.

DISTRIBUTION AND USES OF FUNDS

Funds in the Affordable Housing Fund are used to meet the housing needs of individuals and families with income that do not exceed 60% of Area Median Income, as defined by the United States Department of Housing & Urban Development (HUD), or a successor government department or agency that determines median income. Eligible uses include acquisition, demolition, new construction, renovation, and related infrastructure to develop affordable

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housing. In addition, nonprofits may request funding for pre-development feasibility activities and technical assistance.

It is the City's intent that the terms of its loans and grants be established so that projects that set-aside units for households at 30% AMI or less receive higher per unit funding and lower interest rates for loans than projects that do not set-aside units for households at 30% AMI or less.

Minimum affordability period will vary by and within project type (see Terms and Conditions). Projects which commit to longer than the minimum affordability periods will receive more favorable consideration.

ELIGIBILITY REQUIREMENTS

ADMINISTRATIVE APPROVAL FOR PROJECTS UNDER \$75,000:

Project applications are available from the Washtenaw County Office of Community & Economic Development (OCED) and may be submitted at any time during the program year. OCED will review and approve these proposals as an administrative function and will follow the City's procurement guidelines. All administrative approvals will be reported to the HHSAB and City Council. All projects under \$75,000 will be grants.

OPEN ROLLING APPLICATION FOR PROJECTS \$75,000 to \$250,000:

OCED will accept applications on a rolling basis from eligible entities interested in financial support from the Ann Arbor Affordable Housing Fund. Applications for projects \$75,000 or greater will be reviewed each quarter by the HHSAB. Applicants will be invited to present their projects at a designated HHSAB meeting, and members will openly deliberate and make funding recommendations to City Council for final approval.

COMPETITIVE SEALED BID PROCESS FOR PROJECTS AND/OR FUNDING OVER \$250,000

When the Fund balance exceeds \$250,000, OCED will issue a Request for Proposals for Ann Arbor Affordable Housing funds within 6 months of funding availability. When feasible, AAHF RFPs will be timed to align with other affordable housing RFPs such as County HOME funds or MSHDA Low-Income Housing Tax Credits (LIHTC). Applicants will be invited to present their project at a designated HHSAB meeting and members will openly deliberate and make funding recommendations to City Council for final approval. The HHSAB and OCED may utilize consultants to conduct an underwriting and subsidy layering analysis to ensure that projects are not over-subsidized.

Funding may be awarded to non-profit corporations, municipal corporations, for-profit corporations, companies, partnerships, or limited equity cooperatives.

Pre-development grants are available to non-profit affordable housing developers only and cannot exceed \$100,000 per project.

All projects must be decent, safe and sanitary and meet the Housing Quality Standards or similar standards as established by the Department of Housing and Urban Development, and the local Code. Affordable Housing Fund dollars can only be used for projects within the City limits.

Financial assistance shall not be awarded by the Affordable Housing Fund to any corporation, partnership, company or cooperative in default according to Section 14.3(e) of the City Charter at the time of final consideration in payment of property taxes, or whose subject property has violations of the City Housing or

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Building codes or is in violation of the zoning ordinance relating to the subject project. Consideration shall be given to projects which propose correction of the above-mentioned violations.

TERMS AND CONDITIONS

Affordable Housing Funds can be awarded in any form determined advisable by the HHSAB, subject to applicable local, state and federal laws and regulations, including but not limited to: low interest loans with terms determined by the "gap financing" needed to make the project feasible; a deferred loan which requires repayment under conditions defined for the project; or other types of financial assistance determined to be appropriate and necessary for the project. In general, the City has flexibility in how to award funds, either as a grant or as a loan.

When funds from the Affordable Housing Fund are awarded for acquisition, construction, or rehabilitation, the owner must sign an enforceable affordability agreement and/or deed restriction relating to the long term affordability of the unit. Annual income and rent reporting is also required.

The required affordability period will vary based on type of project:

Pre-Development ONLY projects: 30 years for resulting housing project. (Affordability term only applies if project is built.)

New Construction projects: 30 years

For Rehab projects:

Per Unit Subsidy	Affordability Term
< \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
> \$40,000 per unit and/or refinancing of rental project	15 years

Repayments to the City are deposited into the Affordable Housing Fund and reused for other eligible projects.

ADMINISTRATION OF THE FUND

The HHSAB, as appointed by the Mayor and City Council, administers the Affordable Housing Fund as specified herein. The HHSAB reviews applications and makes recommendations to City Council on the allocation of the Affordable Housing Fund for requests of \$75,000 or greater. The number of members, tenure of office, duties, manner of calling meetings and other tasks of the HHSAB are stated in the Bylaws approved by the HHSAB.

The City Council makes final decisions on the allocation of Affordable Housing Funds of \$75,000 or greater. City Council shall take action on recommendations of the HHSAB. Applications will be processed on a quarterly basis with funding recommendations typically going to City Council within a month of the quarter close. City Council will, in most cases, take action on recommendations of the HHSAB at their next scheduled meeting. The Office of Community & Economic Development provides staff assistance to the HHSAB. This includes: maintaining the financial and other records of the Fund; seeking third-party underwriting review; assisting prospective applicants in the preparation of their applications/proposals; monitoring the use of the monies distributed to applicants to assure ongoing compliance with the purpose of the Fund and the conditions under which the monies were granted

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- the perpetual affordability of units;

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or loaned; reporting periodically, but not less than every twelve (12) months to the City Council regarding the operation and activity of the Fund.

For a copy of the application form, contact:

The [Washtenaw County](#) Office of Community & Economic Development,

[Housing & Infrastructure Division](#) by calling (734) 544-3039 or emailing: cohen@washtenaw.org.

Last revised: October, 1997

Last revised: November 9, 2006

Last revised: October 20, 2014

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Should RFP only be issued once a certain minimum balance is available in the fund? Need to factor in administrative cost of issuing RFPs. \$500k minimum? \$1 million?

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Proposing we use \$250k balance as trigger for a competitive RFP process

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Policy doesn't delineate different terms for ownership vs rental vs coop projects. Would this be something you all want to add? Specific suggestions?

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Question for the Group: 20 or 30 yr affordability for new construction? 20 yrs aligns w/ HOME regulations, but County requires 30 yr minimum for all new construction using HOME funds.

Another question: Would you want to see a longer affordability required for for-profit developers? For example 30 yrs for for-profit but 20 yrs for non-profits?

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These terms align with HUD's HOME regulations.

For another point of reference, Federal Home Loan Bank of Indianapolis has a 15 year affordability period for their loans.

Note: The County requires a minimum of 30 yrs affordability on all HOME funded projects regardless of per unit subsidy.

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Note that this quarterly review cycle will result in substantially longer wait period for developers/applicants than previous "30 day review" process.

This would not be the case for applications under \$75k, but do we need to write an exception for emergency projects that are \$75k or above?

ANN ARBOR AFFORDABLE HOUSING FUND

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Minimum affordability period will vary by and within project type (see Terms and Conditions). Projects which commit to longer than the minimum affordability periods will receive more favorable consideration.

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COMPETITIVE SEALED BID PROCESS FOR PROJECTS AND/OR FUNDING OVER \$250,000

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The required affordability period will vary based on type of project:

Pre-Development ONLY projects:

- New Construction: 30 years for resulting development.
- Acquisition and/or Rehab: See table below.

Note: Affordability term is only applied to pre-development grants if the project is completed.

New Construction projects: 30 years

For Rehab projects:

Per Unit Subsidy	Affordability Term
< \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
> \$40,000 per unit and/or refinancing of rental project	15 years

Repayments to the City are deposited into the Affordable Housing Fund and reused for other eligible projects.

ADMINISTRATION OF THE FUND

The HHSAB, as appointed by the Mayor and City Council, administers the Affordable Housing Fund as specified herein. The HHSAB reviews applications and makes recommendations to City Council on the allocation of the Affordable Housing Fund for requests of \$75,000 or greater. The number of members, tenure of office, duties, manner of calling meetings and other tasks of the HHSAB are stated in the Bylaws approved by the HHSAB.

The City Council makes final decisions on the allocation of Affordable Housing Funds of \$75,000 or greater. City Council shall take action on recommendations of the HHSAB. Applications will be processed on a quarterly basis with funding recommendations typically going to City Council within a month of the quarter close. City Council will, in most cases, take action on recommendations of the HHSAB at their next scheduled meeting. The Office of Community & Economic Development provides staff assistance to the HHSAB. This includes: maintaining the financial and other records of the Fund; seeking third-party underwriting review; assisting prospective applicants in the preparation of their applications/proposals; monitoring the use of the monies distributed to applicants to assure ongoing compliance with the purpose of the Fund and the conditions under which the monies were granted or loaned; reporting periodically, but not less than every twelve (12) months to the City Council regarding the operation and activity of the Fund.

For a copy of the application form, contact:

The Washtenaw County Office of Community & Economic Development,
 Housing & Infrastructure Division by calling (734) 544-3039 or emailing: cohent@washtenaw.org
 Last revised: October, 1997
 Last revised: November 9, 2006
 Last revised: October 20, 2014
 Last revised:

Commented [TC11]: Question for the Group: 20 or 30 yr affordability for new construction? 20 yrs aligns w/ HOME regulations, but County requires 30 yr minimum for all new construction using HOME funds.

Another question: Would you want to see a longer affordability required for for-profit developers? For example 30 yrs for for-profit but 20 yrs for non-profits?

Commented [TC12]: These terms align with HUD's HOME regulations.

For another point of reference, Federal Home Loan Bank of Indianapolis has a 15 year affordability period for their loans.

Note: The County requires a minimum of 30 yrs affordability on all HOME funded projects regardless of per unit subsidy.

Commented [TC13]: Note that this quarterly review cycle will result in substantially longer wait period for developers/applicants than previous "30 day review" process.

This would not be the case for applications under \$75k, but do we need to write an exception for emergency projects that are \$75k or above?

City of Ann Arbor Affordable Housing Fund Summary Transactions 2020 through March 31, 2024			
Program /Developer	Requested	Drawn	Encumbrances
Ann Arbor Side Walk Repair Fund	\$6,762.00	\$0.00	\$6,762.00
Avalon Housing, Inc Water Connection Fund-Hickory Way R-17-072	\$130,004.00	(\$130,004.00)	\$0.00
Avalon Housing, Inc Hickory Way II New Construction R-20-0163	\$450,000.00	(\$450,000.00)	\$0.00
Avalon Housing, Inc. Glendale/Dexter, Allen, Broadway Retaining wall (City Council R-15-124, 4/20/15)	\$96,697.00	(\$61,468.00)	\$35,229.00
Avalon Housing, Inc. Glendale/Dexter, Allen, Broadway Retaining wall (City Council R-15-124, 4/20/15)	\$34,703.00	\$0.00	\$34,703.00
Professional Services Housing (AAHC Affordable Housing Study; Zoning analysis)	\$100,000.00	(\$96,163.00)	\$0.00
Ann Arbor Housing Commission Broadway Terrace Emergency Sewer Repair	\$100,000.00	(\$100,000.00)	\$0.00
Ann Arbor Housing Commission Miller Manor, Maple Meadows, and Baker Commons	\$86,201.00	(\$86,201.00)	\$0.00
Avalon Housing, Inc. 108-110 Glendale duplex renovation R-20-0163	\$57,000.00	(\$57,000.00)	\$0.00
Total	\$1,061,367.00	(\$980,836.00)	\$76,694.00
Current Balance as reported by City finance			\$88,031.00

Stays restricted but is not budgeted unless requested.

as of 3/31/24

	FY24
Beginning Balance	\$161,131.00
Total Revenues	\$3,594.00
Total Expenditures	\$0.00
Total Encumbrances	\$76,694.00
Ending Balance as of 3.31.24	\$88,031.00

investment income