



## MEMORANDUM

TO: Mayor and City Council  
FROM: Jennifer Hall, Executive Director, Ann Arbor Housing Commission  
Tom Crawford, City Administrator  
DATE: April 13, 2021  
SUBJECT: FY22-23 Budget Related to Ann Arbor Housing Commission (AAHC) Staffing

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The purpose of this memo is to clarify the Ann Arbor Housing Commission's (AAHC) budget request related to staffing. In August 2020, City Council approved a budget amendment to add 5 FTE's to provide property management and maintenance staff for the on-site management of Lurie Terrace. These 5 FTE's are incorporated into the FY22/23 budget and the AAHC reimburses the City for staffing costs using rent revenue.

The FY 22-23 Budget includes 8 additional FTE's for the AAHC. The increase in requested FTE's are due to increased development activity, the Affordable Housing millage and increased HUD funding. Although the budget shows these positions as paid for with general funds, the City invoices the AAHC, and the AAHC reimburses the City for staffing costs using non-general fund sources including rent revenue, management fees, and HUD administrative fees.

**Three FTE's** are directly related to the Affordable Housing Millage that passed in November 2020. The 3 FTE's include a Director of Real Estate Development, a Construction Project Manager, and an Administrative Assistant to ensure the successful completion of affordable housing development projects from inception through financing, construction completion and lease-up. These positions will manage the development process including site selection, due diligence, land assemblage, acquisition, feasibility analysis, site planning, entitlements, permitting, finance structuring, procurement and contractor management, regulatory compliance, construction management, and lease-up through stabilized occupancy. These positions will be paid for with millage funding.

**Two FTE's** are needed due to the increased volume of development activity and funding as well as additional HUD funding that are recurring and ongoing activities. The 2 FTE's include a Financial Analyst and an Administrative Assistant. The AAHC continues to grow in both the number of apartments it manages and the number of vouchers it administers.

In FY21 the AAHC finished construction of 64 apartments and acquired a 136-unit senior apartment building, an increase of 200 apartments, bringing the total AAHC apartments to 554. These properties are permanently added to the AAHC's property portfolio. On the development side, the combined development costs were \$25 million. New developments

require new legal entities to be formed, new bank accounts, and new audits. Each development project has multiple funding sources and each funder requires its own unique monthly, quarterly and annual financial reporting and physical inspections. The finance department must manage hundreds of new development transactions from professional contractors to construction draws to cost certifications. On the operations side, these 2 developments added \$2 million in annual operating revenue from 200 new renters and rent subsidies as well as \$2 million in annual operating expenditures related to property management and maintenance.

Beginning in FY19, the County Mental Health Millage added about \$1 million in annual recurring revenues and expenditures to the AAHC budget, which increased the procurement activity with non-profits as well as development activities.

In addition, at the federal level, affordable housing is increasingly recognized as a critical infrastructure need and HUD funding increased under the Trump administration and is anticipated to increase under the Biden administration. In the past 3 years, the AAHC has been awarded 294 new recurring specialty vouchers, a 22% increase since FY18. The AAHC also received about \$2.3 million in CARES Act voucher funding during FY21, which appears to be one-time COVID-related funding. The AAHC previously added 2 Occupancy Specialists to provide case management to tenants, but did not add financial or administrative staff. Occupancy Specialists are responsible for ensuring that the applicant is qualified for the program, must do income certifications to determine the applicant's portion of rent & utility allowance, conduct Housing Quality Standard (HQS) inspections, conduct rent reasonable studies, and execute contracts with the landlord and participants. Once an applicant is in the program, the Occupancy Specialist must conduct annual income certifications and rent calculations as well as interim certifications any time the family's income or family status changes. Due to COVID-19's impact on the economy, Occupancy Specialists have had an overwhelming number of interim income and rent certifications over the last year. Occupancy Specialists typically have a caseload of 200-250 families. These new vouchers also require the finance department to annually administer \$3 million in additional rental assistance payments to landlords, utility allowance checks to tenants, and program related costs to vendors. Moreover, the award of additional vouchers has been largely for special purpose vouchers that are required to be administered, tracked and reported to HUD separately, which has increased the complexity for Occupancy Specialists and financial staff significantly. We anticipate this to be the case for the American Rescue Act funding in 2021 as well.

A Financial Analyst and an Administrative Assistant are included in the budget to ensure that the AAHC is able to administer the existing additional volume of recurring revenues and expenditures as stated above. The combination of new properties and HUD vouchers alone (not including development funding) have **increased the AAHC's annual operating budget by 32% between FY19 and FY21**. These positions will be paid for with management fees paid by AAHC properties and voucher programs to cover financial and administrative costs.

**Three FTES:** In addition to the 5 FTE's discussed above related to known recurring programmatic needs and financial management requirements, the AAHC is requesting 3 FTE's to be included in the City of Ann Arbor FY22/23 budget for anticipated increased HUD voucher allocations. The Biden Administration's American Rescue Act of 2021 allocated \$5

billion to Housing Authorities to increase vouchers for households at risk of homelessness. \$5 billion represents a 22% increase in the federal Housing Choice Voucher program. HUD will be providing the allocation awards to Housing Authorities by May 1<sup>st</sup>, and it is based on both need and capacity to administer the funds. If the AAHC were awarded 22% more vouchers, it would receive approximately 388 new vouchers and \$3.3 million in additional annual funding. The actual award amount could be greater or lower than 22%. Depending on the award amount, the AAHC will need 1-3 Occupancy Specialists to lease-up and manage these new vouchers.

In addition, the Biden Administration’s FY22 budget (not yet approved) includes a 15% increase to the overall HUD budget, and a 43% increase to the Housing Choice Voucher program. If the AAHC were to receive an additional 43% increase to its voucher program, that would represent approximately 530 additional vouchers and \$4.2 million in annual funding. The AAHC will need this additional staffing to administer these new funding awards through both the American Rescue Act and the FY22 federal budget. The City of Ann Arbor FY22/23 budget includes 3 FTE’s that will only be filled based on the amount of funding awarded by HUD. If more than 3 FTE’s are needed, the AAHC will request a budget amendment. These positions will be paid for with Voucher Program Administrative Fees. As the AAHC acquires and develops additional properties, the AAHC will evaluate its staffing needs and will request additional FTE’s in future budgets as needed. Although the budget shows these positions as paid for with general funds, the City invoices the AAHC, and the AAHC reimburses the City for staffing costs using non-general fund sources.

Below is a summary of the AAHC’s actual and projected budgets based on the discussion above:

<b>Budget Year</b>	<b>Total Operating Budget Actual or Projected</b>	<b>Affordable Housing Operating Budget</b>	<b>Voucher Program Budget</b>	<b>Other Programs Budget</b>	<b>Development &amp; Capital Improvement Budget</b>
FY18	17,900,000	3,100,000	14,300,000	500,000	
FY19	18,340,000	3,400,000	14,500,000	440,000	1,100,000
FY20	21,525,000	4,200,000	16,500,000	825,000	20,000,000
FY21	24,169,000	4,934,000	18,400,000	835,000	6,260,000
FY22	32,316,146	6,318,000	25,218,146	780,000	3,760,000
FY23	32,527,506	6,444,360	25,218,146	865,000	18,400,000