

Ann Arbor Housing Commission
Phase III – Rental Assistance Conversion (RAD) Project

“WEST ARBOR” PROJECT

ORGANIZATIONAL HISTORY

The Ann Arbor Housing Commission is currently the largest administrator of rent and income-restricted affordable housing units in the City of Ann Arbor and Washtenaw County. The AAHC manages or administers:

- 355 units of public housing in the City limits (and 6 community centers)
- 1333 vouchers and 170 Veteran’s vouchers, primarily in Washtenaw County
- 96 units of Shelter Plus Care Vouchers and 34 units of Supportive Housing for 6 nonprofits

In late 2012, AAHC submitted an application and was approved by HUD for participation in the Rental Assistance Demonstration (RAD) Program which provides for the transition of its public housing portfolio to the Section 8 Project-Based Voucher Program. AAHC has selected this course as a means to raise funds to renovate and/or replace the aged units in the portfolio to ensure that these low income units will be retained in the community. Some of the units can be rehabilitated and other units will be demolished and reconstructed due to the deteriorated condition of the units and/or the site. The sites that will be demolished offer an opportunity to add additional units, add ADA and visitable units and to build more energy efficient units.

The AAHC is in the process of redeveloping 10 properties (see Phase I and Phase II below). The AAHC secured over \$25 million to redevelop these 279 units.

FUNDING REQUEST

The Ann Arbor Housing Commission (AAHC) is requesting a total of \$200,000 - \$729,879 in capital funding support from the Ann Arbor Housing Trust Fund for the third phase of the RAD Conversion project of a five phase conversion of the AAHC’s entire public housing portfolio.

Phase III is called the West Arbor project (North Maple Estates, North Maple Duplexes and Lower Platt). This request is in anticipation of putting in a Low-Income Housing Tax Credit (LIHTC) application to the Michigan State Housing Development Authority (MSHDA) in October 2014. LIHTC is the single biggest source of funding for affordable rental housing in the Country. The AAHC was awarded two LIHTC awards for its Phase I properties which generated over \$21 million in LIHTC equity funding to redevelop 252 AAHC units. It is important to MSHDA to have local funding support for LIHTC applications.

The total development cost is \$16,564,370 as of July 2, 2014 based on historical costs on other projects. Please see attached development and operating budgets. This is the initial budget. After the site plans are approved, construction drawings will be completed and cost estimates will be based on the construction drawings and known site issues.

Of the \$16,564,370 budget, LIHTC and permanent debt are expected to cover \$14,091,491 of the total budget which leaves a gap of \$1,472,879 which will need to be secured from public and private grants. The AAHC has secured \$50,000 from MSHDA and \$293,000 from the Community Challenge Planning Grant (CCPG) administered by Washtenaw County. The AAHC will also be applying for funding from the Federal Home Loan Bank Affordable Housing Program (FHLB), the County and private sources.

PROJECT SUMMARY

- Sources of Funding
 - LIHTC Equity, FHLB, HOME, private debt, deferred developer fee, CCPG, AAHTF
- Construction will meet Enterprise Green Standards
 - Green demonstration project on one building with 6 units
 - Community center as education center for green products
- Lower Platt
 - Currently four 5-bdr units
 - Demolition of all units because in floodplain
 - Replace with 32 townhomes
 - 8 One bedroom
 - 12 Two bedrooms
 - 6 Three bedrooms
 - 2 Four bedrooms
 - 4 Five bedrooms
 - 1 Community Center
- North Maple Estates
 - Currently 19 units (10 4-bdr, 9 5-bdr, 1 community center)
 - Demolition of all units due to condition of units and site water infiltration problems
 - Replace with 42 townhomes
 - 8 One bedroom
 - 4 Two bedrooms
 - 8 Three bedrooms
 - 12 Four bedrooms
 - 10 Five bedrooms
 - 1 Community Center
- North Maple Duplexes
 - Currently four 3-bdr units
 - Rehabilitation (built in 1998) units in decent condition

POPULATION TO BE SERVED IN PHASE III AND LONG-TERM AFFORDABILITY

The units will be targeted toward households with incomes from 0% to 60% of Area Median Income (AMI). The units will have project-based vouchers which will provide a rent subsidy to the households living in the units so that they will only have to pay 30% of their income toward rent. HUD controls the long-term use and affordability of the properties. Under the RAD program, HUD will execute a 20-year contract with the AAHC for the project-based vouchers. HUD is committing to and requiring the AAHC to renew the PBV contract every 20 years.

Twenty (25%) of the units will be reserved for special needs and homeless households. The AAHC is partnering with Avalon, Interfaith Hospitality Network (IHN), Community Support and Treatment Services (CSTS), and Peace Neighborhood Center to provide on-site and off-site support services to tenants.

The project includes a Community Center which will have a commercial kitchen, food pantry, offices for property management and services, and meeting space for tenants.

The following information shows the demographics of existing tenants in the public housing units which is expected to be similar in the West Arbor project.

Female Head of Household	71%
Black	61%
White	37%
Other Minority	2%
Disability	46%
Income less than \$10,000/year	60%
Income \$10,000 to \$19,999	30%
\$20,000 or more	10%
60+ years in age	18%

LONG TERM AFFORDABILITY

PROJECT TEAM

Developer: Norstar Development, Albany New York. Norstar specializes in the redevelopment of public housing units. Norstar has developed more than 30 mixed finance projects over the last 10 years, resulting in more than 2,900 rental housing units. Norstar is currently under construction on a \$110 million, 494-unit HOPE VI revitalization at Gardenview Estates in collaboration with the Detroit Housing Authority.

Architect: Mitchell & Mouat, Ann Arbor Michigan. John Mouat is the principal architect on the project. Mitchell & Mouat Architects has significant experience working in the City of Ann Arbor and with the AAHC. Mitchell & Mouat has completed work on 14 AAHC sites over the last 10 years.

Engineer: Midwest Consulting Inc, Ann Arbor, Michigan. Scott Betzold is the lead engineer on the site plan design and engineering. MCI has been in operation for over 40 years

CONSTRUCTION

Seventy-four of the seventy eight units are new construction, which provides an opportunity to build energy efficient, ADA and visitable units to replace the existing units. The North Maple Estate and Lower Platt units were originally built in 1969 prior to ADA requirements and only 1 unit is currently wheelchair accessible of the 23 units that will be demolished. In addition, these units have high utility costs and the new units will meet the Enterprise Green Standards which will greatly reduce the utility costs.

Please see the attached site plan for N. Maple and Platt.

GREEN DEMONSTRATION

The AAHC was awarded a grant to do a green demonstration project. The purpose is to compare the up front and long term cost of constructing a super green building compared to a standard green building. Two buildings with 6 units each will be constructed using different standards and the wear and tear of the materials and energy use will be tracked over time to determine the cost/benefit. We are partnering with the Ecology Center and U-M School of Public Health to develop a study design methodology and implement the demonstration project. The study may include a comparison of toxic vs. non-toxic materials, energy use, wear and tear of different materials, and up-front vs. long-term replacement costs.

The Ecology Center is also soliciting manufacturing partners to do product testing at the site and to provide on-site educational workshops to the community.

The AAHC is also partnering with Peace Neighborhood Center (PNC) and IMHOTEP architecture firm to provide a 6-week architectural design course to middle school students who participate in PNC's summer program. The students will learn about green construction products and each student will create an interior design for the Community Center at N. Maple. The best student ideas will be incorporated into the final community center design.

AAHC PORTFOLIO BY PHASES

PHASE 1: Rehabilitation of 5 properties:

- Two LIHTC projects
 - LIHTC equity, DDA funds, AAHTF funds, CDBG funds, private debt, FHLB, deferred developer fee
- Target close August 2014 with construction in September 2014
- 251 units rehabbed
 - Miller Manor
 - 103 existing units (98 1-bdr, 5 2-bdr)
 - Adding 3 units
 - Major rehabilitation including asbestos abatement
 - Converting maintenance area to offices for services and community space
 - Adding 24-hour front desk model
 - Baker Commons,
 - 64 units all 1-bdr
 - rehabilitation
 - Maple Meadows
 - 29 existing (10 2-bdr, 14 3-bdr, 5 4-bdr, 1 community center)
 - Major rehabilitation including asbestos abatement
 - Hikone
 - 29 existing (10 2-bdr, 14 3-bdr, 5 4-bdr, 1 community center)
 - Major rehabilitation including asbestos abatement
 - Green-Baxter
 - 23 existing (8 2-bdr, 11 3-bdr, 4 4-bdr, 1 community center)
 - 6 units demolished by fire – will be new construction (2 2-bdr, 3 3bdr, 1 4-bdr)

- Major rehabilitation including asbestos abatement

PHASE 2: Rehabilitation of 5 properties

- AAHC HUD funding, CDBG funds
- 28 units
- Rehabilitation started November 2012
 - Oakwood
 - 3 units – all 5-bdr
 - Major rehabilitation including asbestos remediation
 - Upper Platt
 - 5 units (1- 1bdr, 2-2bdr, 1-3bdr, 1 4-bdr)
 - Rehabilitation
 - South Seventh
 - 8 1-bdr units
 - Major Rehabilitation
 - Pennsylvania
 - 6 3-bdr units
 - Major Rehabilitation
 - Mallet's Creek
 - 6 3-bdr units
 - Major Rehabilitation

PHASE 4: Gut Rehabilitation and/or Demo and New Construction

- LIHTC project
 - LIHTC Equity, FHLB, HOME, private debt, deferred developer fee
- Target demolition date June 2016
- 20 units demolished at Broadway with 16 new units built
 - 20 1-bdr
 - Demolition – condition of units and site problems
- 28 units at White/State/Henry with gut rehab and partial demolition and addition of 4-5 units
 - 14 1-bdr units
 - 14 2-bdr
 - Major rehabilitation and partial demolition and new construction

PHASE 5: Sale

- 4 units
- Target sale date Spring 2015
 - Garden
 - 1 3-bdr unit
 - Lease to own program
 - Offered to existing tenant first, then HCV homeownership program
 - Evelyn
 - 1 3-bdr unit
 - Offered to existing tenant first, then HCV homeownership program
 - West Washington
 - 2 1-bdr units