



TO: Mayor and Council

FROM: Tom Crawford, Interim City Administrator

CC: Derek Delacourt, Community Services Area Administrator
Jennifer Hall, Executive Director, Ann Arbor Housing Commission
Matthew V. Horning, Interim CFO

SUBJECT: Resolution to Order Election and to Determine Ballot Question for Charter Amendment for the 2021 Affordable Housing Millage (7 Votes Required)

DATE: July 27, 2020

Below are responses to questions from Councilmember Hayner regarding the Resolution to Order Election and to Determine Ballot Question for Charter Amendment for the 2021 Affordable Housing Millage (7 Votes Required) that is on the July 27th Council Agenda.

About the Millage Language itself as it will appear on the ballot:

Is the duration of the millage up to us? Can it be 5, 10, 15 or 20 years? What other ones have ever had a 20-year duration? **Response:** Yes, the duration can be modified by City Council. A 20-year millage is projected to provide funding for approximately 1500 units with 25% of those units as permanent supportive housing. If the millage is reduced, the projected number of units will also be reduced proportionately.

How specific can the ballot language be as to the use of the funds collected? **Response:** Council can make the ballot language more specific, but it needs to remain under 100 words.

What prevents the use of these funds for other things, like has been done with the Mental Health “rebate” funds? **Response:** The use of funds is bound over the life of the millage by the Charter language. The Mental Health millage is not part of the City’s charter since it is levied by the county. As a rebate, Mental Health millage funds were considered general funds to the city. Consequently, use of the funds are determined by Council, as evidenced by Council’s resolutions prior the millage vote on how the funds were intended

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to be utilized. The proposed Affordable Housing millage is a city millage and would be in City Charter. The language in the Charter determines how it's authorized to be expended. The Use language in the attachment to the agenda item explains in greater detail for voters how funds are anticipated to be used and would contribute to the educational materials available to voters prior to the November ballot.

Can this millage be revoked via a second ballot measure in the future of residents do not see the value in it? **Response:** Yes, in the event that the millage passes, it can be revoked via a second ballot measure.

About the Fund:

Who controls the spending of the fund? **Response:** The funds will be allocated through the annual budget process.

Are there binding ways to control the spending of the fund outside of the ballot request? **Response:** The charter language provides the parameters and Council authorizes during the budget process.

The DDA and the Brownfield Program both get their cut, can that portion of the funds be mandated to be spent in certain ways, or is it entirely up to those bodies? **Response:** It is entirely up to those bodies, how those funds will be spent.

Because Intent of Use resolutions are non-binding outside of the budget process, is there anything preventing some or all of the funds being used for repair of older units vs. new construction? **Response:** If it is the intent of City council to ensure that the properties have long-term affordability requirements, then providing funding for renovations on properties with existing long-term affordability requirements will help ensure that they will continue to be maintained and not become blighted properties due to lack of funding. Providing funding to acquire and renovate or just renovate existing apartments with the expectation that long-term affordability agreements will be in place, is usually less expensive than new construction.

Is it possible these funds could be used to do improvements to existing properties that are not owned by the AAHC or the City? Could these funds be used to improve "partner" assets? **Response:** Yes, if city council approves an expenditure with other partners.

Does the County or OCED have any say on this spending? **Response:** Council can request recommendations on funding decisions from the Housing and Human Service Advisory Board, which is staffed by the OCED.

Must the money be used for purchases or construction inside the city limits? **Response:** Yes. If Council wishes for money to be used outside the City limits then the charter language in the resolution should be amended to allow this.

Following the spending:

Can the City Request an audit of any non-profit vendors it uses to provide social services, outside of their 990 filing? **Response:** Yes, if they have an audit to provide. Not all non-profits have audits done.

Can the city charge back for services rendered – for example, in 2017 there were over 350 calls for service to Miller Manor – police, fire and ambulance calls – can the city charge for these service calls, like we would for a fire alarm response? **Response:** False fire alarm charges get passed onto the tenants the landlord knows who pulled the fire alarm. If the city charged back for all these services to Miller Manor, it would need to charge for every call for services from every resident/visitor to the city.

Can you direct me to the rules for issuing bids for services as we have in the past, like when we awarded contracts to 4 of 8 vendors for supportive services for AAHC? **Response:** The funds were approved to the AAHC budget and the AAHC has a separate procurement policy from the city.

Acquisition of housing and real property, new construction:

Who will own any property purchased with these funds? **Response:** The intent is for the development of city-owned properties as the first priority. The intent is that the AAHC will be the developer of these properties and will hire a co-developer, which may or may not have an ownership interest in the properties, depending on the project. The city can maintain ownership of the land and ground lease the properties to the AAHC or another entity. Or the City can transfer ownership to the AAHC. Or the City can work with or sell a property to another entity.

Who will own any improvements or structures built with these funds? **Response:** See above. It depends on the legal structure. In all cases, the city must approve the funding for the legal structure it wants for publicly owned properties and if it is a private property, the owner will be the legal entity that city council approves the funding for.

Is there a default method for restricting deeds in perpetuity to set rents? **Response:** Every funding source has its own methodology but the most common are HUD programs, which can differ from one HUD program to another, and Low-Income Housing Tax Credits administered by the Michigan State Housing Development Authority. If a project has HUD or LIHTC funding, then it must follow those regulations. The City has also adopted its own standards for affordable housing in the zoning ordinance and brownfield financing. If a project does not have HUD or LIHTC funding, the default method would be the city zoning ordinance definition.

Are we prevented in any way from enacting rent control on acquired properties? Could we purchase existing open-market properties and place deed restrictions that control the rents? **Response:** If the city acquires property, the city can place a deed restriction on the property or otherwise restrict rents.

Can we mandate the type of construction that we do, for instance, can we mandate that all new construction be done in such a way as to have the lowest energy operating costs moving forward? Can we mandate net-zero buildings? **Response:** Yes the city can mandate energy efficiency and net-zero as a condition of funding. It is currently included in the use goals. The AAHC intends on trying to meet net-zero goals for all properties that it develops.

General Asks:

Who will determine who gets to live in these units? **Response:** Ultimately the owner/property manager adopts tenant screening criteria. That is why a public entity or mission driven nonprofit is preferable to a for-profit entity because public entities and nonprofits screen people in instead of screening people out. OCED recently developed an on-line waitlist for affordable housing units developed by private developers through the brownfield or zoning process in order to open the waitlist up to the larger community. This waitlist is intended for properties that do not have any other funding/income/rent restrictions that would require a different process. The application and eligibility process is simplified and based on a first come first serve basis. Once an applicant is pulled from the waitlist and is verified to be income-eligible, the applicant will be referred to the property manager to fill out a property application. The applicant must meet the same tenant screening processes used for all non-affordable units in the property.

For the 60% AMI units, will they be “open-market” units with an income test, or will anyone who wants one have to apply through AAHC, or? **Response:** If the project is an AAHC property with other funding sources with regulatory requirements, the applicants will go through the AAHC waitlist process. If the project is an AAHC property with no other funding restrictions, then AAHC will use the new waitlist website created by OCED. The same is true if it is another owner.

I want to create a method for homeowners whose income qualifies them at 60% AMI or below to opt out of this public charge. What method can we use for this, and how would it be administered? Can funds from this millage be used to pay for that process? **Response:** See privileged communication provided from the Attorney’s Office on July 20th..