



## Legislation Text

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**File #:** 09-0334, **Version:** 1

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Resolution to Allocate \$40,000.00 in HOME Funds to Avalon Second Nonprofit Housing Corporation for the Acquisition and Rehabilitation of 819 Third and Amend the Housing Affordability Agreement (\$40,000.00 HOME Funds)

Attached for your review and approval is a resolution to allocate an additional \$40,000 in HOME funds to the existing \$415,000.00 HOME Fund contract with Avalon Second Nonprofit Housing Corporation to acquire and rehabilitate 6 units of permanent affordable housing for chronically homeless individuals. The total budget is \$1,040,000.00. The total request for City funds constitutes 44% of the total project costs. Avalon has secured \$500,000.00 from the Michigan State Housing Development Authority (MSHDA), \$25,000.00 from Washtenaw County and \$60,000.00 from the City of Ann Arbor DDA.

Avalon will own and manage the property and Catholic Social Services will provide supportive services. Tenants will be referred by the Shelter Association of Washtenaw County and the PORT Team. As the property managers, Avalon will screen the tenants. Avalon is requesting additional funds to complete repairs due to structural failures in a basement wall and front porch discovered during rehabilitation.

The project is consistent with the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness. The targeted tenants are extremely low income. The City Attorney's office will review the legal and contractual documents to ensure that Avalon will comply with the requirements in the HOME regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations in accordance with annual HOME Program monitoring.

Consistent with HOME Program requirements, a mortgage, note and amended housing affordability agreement will be placed on the property to preserve the affordability of these units. The project will be ineligible for additional HOME funds for a minimum of 15 years as required by HOME program regulations. The City's affordability period will be 99 years, consistent with previous projects. Consequently, Avalon will ensure that replacement reserves (for large property improvements such as a new roof) and operating reserves are included in the budget and placed in a restricted escrow account.

Based on an underwriting analysis by the Office of Community Development, it was determined that the project could not support debt service on the City funds. Consequently, Avalon is requesting a 0% interest, deferred loan.

Effective April 1, 2009, the HOME budget reflects \$160,010.00 in uncommitted and available funds for multi-family housing projects.

The Office of Community Development recommends City Council approve the \$40,000.00 HOME loan as a 0% interest, 99 year term, deferred payment loan, with repayment upon sale or transfer of

the property. The loan will be repaid after 99 years unless City Council agrees to an extension.

Execution of this loan will be contingent on Avalon Second Nonprofit Housing Corporation receiving Human Rights and Living Wage approval.

Prepared by: Jennifer Hall, Housing Program Manager

Reviewed by: Mary Jo Callan, Community Development Director  
Jayne Miller, Community Services Administrator

Whereas, An application was received in November, 2006 from Avalon Second Nonprofit Housing, an affiliated entity of Avalon Housing, Inc., for financial assistance to acquire and rehabilitate 6 units of permanent supportive housing for chronically homeless individuals;

Whereas, On October 10, 2007, (R-07-473) City Council approved allocating \$415,000.00 to Avalon Second Nonprofit Housing, to acquire and rehabilitate 6 units of housing at 819 Third;

Whereas, Avalon is requesting an additional \$40,000 in rehabilitation funds for repairs due to structural failures in a basement wall and front porch discovered during rehabilitation;

Whereas, Of the total estimated project cost of \$1,040,000.00 Avalon Second Nonprofit Housing Corporation has leveraged \$500,000.00 from the Michigan State Housing Development Authority (MSHDA), \$25,000.00 from Washtenaw County and \$60,000.00 from the City of Ann Arbor DDA.; and

Whereas, This project will provide housing and supportive services to chronically homeless individuals, which is a high need in the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness; and

RESOLVED, That City Council approve the allocation of \$40,000.00 of HOME Funds to Avalon Second Nonprofit Housing Corporation for a total of \$455,000.00 for the acquisition and rehabilitation of 6 units of affordable housing at 819 Third, as a 0% interest, deferred payment, 99 year loan to be repaid if the property is transferred or the use changes from low-income residential within the term of the loan and further, to be extended at the discretion of Council at the term end;

RESOLVED, That as a condition of loan disbursement, Avalon Second Nonprofit Housing Corporation will execute a mortgage and promissory note consistent with this Resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That as a condition of loan disbursement, Avalon Second Nonprofit Housing Corporation must receive Human Rights and living wage approval;

RESOLVED, That the Mayor and City Clerk are hereby authorized and directed to sign an amended Housing Affordability Agreement consistent with this Resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.