



Legislation Text

File #: 14-1306, **Version:** 1

Resolution to Replace the Ann Arbor Housing Commission with the Ann Arbor Housing Development Corporation as the sole member of the Limited Liability Corporations created to redevelop the Ann Arbor Housing Commission Properties under RAD as well as the owner of the non-LIHTC properties. The City of Ann Arbor is currently the owner of the Ann Arbor Housing Commission properties. The City of Ann Arbor has agreed to transfer ownership to the Ann Arbor Housing Commission when the units are converted under RAD to project-based vouchers. The AAHC created a non-profit subsidiary called the Ann Arbor Housing Development Corporation (AAHDC) for the purpose of future development. In order to redevelop the properties using Low-Income Housing Tax Credits (LIHTC), the AAHC's subsidiary AAHDC forms an LLC which will become the general partner with a limited equity partner in a separate Limited Dividend Housing Association, LLC as required to establish an ownership interest in the property under the IRS Code.

The Ann Arbor Housing Commission is the administrator of the RAD project-based vouchers. Under HUD regulations, the AAHC can administer project-based vouchers on properties that it also owns and manages. However, under RAD, HUD has determined that the ownership entity and the voucher administrator must be two different organizations.

In order to make a clean division between the AAHC as the project-based voucher administrator and the properties that are being developed, it is recommended that the AAHDC become the sole member of the LLC that will be the general partner with the equity partner. For example, the AAHC is the sole member of Maple Tower Ann Arbor LLC. Maple Tower Ann Arbor LLC is the general partner of the Maple Tower Ann Arbor Limited Dividend Housing Association, LLC along with its limited partner, Redstone Equity Partners. The AAHC will be replaced by the AAHDC as the sole member of Maple Tower Ann Arbor LLC. The AAHC will also be executing a ground lease with the Limited Dividend Housing Association as required by RAD and LIHTC to establish an ownership interest in the property.

Similarly, for properties that will not be utilizing LIHTC, the AAHC will be the project-based voucher administrator and the AAHDC will become the owner of the property, subject to City Council approval, in order to meet the HUD requirements under RAD.

The City will continue to contract with the AAHC for its employees. The AAHC will then track contract employees time related to each of the properties and charge those properties for the contract employees working there. All other charges such as maintenance supplies, utilities, and other contract work will be charged to the appropriate property. Each project (which can have multiple properties) will have its own bank account and will be separately audited from the AAHC.

The AAHC will continue to receive funding from the City, County, DDA, and other public or private sources and then loan those funds to the appropriate LDHA, LLC or the AAHDC for non-LIHTC properties. The AAHDC will receive the developer fee from the transactions. The AAHC will receive a management fee from the projects to pay for AAHC administrative costs.

Jennifer Hall, Executive Director, Ann Arbor Housing Commission

WHEREAS, HUD requires the administrator of the RAD voucher program to be a separate entity from the property ownership entity; and

WHEREAS, the Ann Arbor Housing Commission has created a subsidiary nonprofit called the Ann Arbor Housing Development Corporation (AAHDC).

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Housing Commission Board approve the replacement of the Ann Arbor Housing Commission with the Ann Arbor Housing Development Corporation as the sole member of the Limited Liability Corporations created to redevelop the Ann Arbor Housing Commission Properties under RAD as well as the owner of the non-LIHTC properties.