Legislation Details (With Text)

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Title:	Resolution to Approve the Discharge of Washtenaw Affordable Housing Corporation's Mortgages and to Cancel the Promissory Notes for 5 Trowbridge, 13 Metroview and 723 South Main				
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Date	Ver.	Action By	Action	Result
11/6/2008	1	City Council	Approved	Pass

Resolution to Approve the Discharge of Washtenaw Affordable Housing Corporation's Mortgages and to Cancel the Promissory Notes for 5 Trowbridge, 13 Metroview and 723 South Main

Attached for your review and approval is a resolution to approve the discharge of three City mortgages on properties owned by Washtenaw Affordable Housing Corporation (WAHC) at 5 Trowbridge, 13 Metroview and 723 South Main. WAHC is selling off its single-family homes and a small multi-family property as part of its strategy to merge with Avalon Housing as discussed in the memorandum and resolution approved by City Council on September 22, 2008 (R-08-400). The two single-family homes at 5 Trowbridge and 13 Metroview are currently rental properties that are not financially sustainable. The cost of managing a single-family rental property with rent restrictions is higher than the rent revenue received. Due to the current housing market crisis, the values of these homes have dropped precipitously and will sell for less than the debt owed on them.

The property at 5 Trowbridge is scheduled for closing on November 17 requiring the mortgage for that property to be addressed immediately.

The current debt is:

5 Trowbridge:	1st mortgage Bank of Ann Arbor		$50,000
	2nd mortgage City of Ann Arbor		$47,500
		TOTAL	$97,500
13 Metroview:	1st mortgage MI Interfaith Housing Trust Fund		$56,700
	2nd mortgage City of Ann Arbor		$18,202
	3rd mortgage Washtenaw County		$10,000
		TOTAL	$84,902

The sales prices are expected to be $60,000 - $65,000 for each property. The net proceeds after paying off the 1st mortgages, realtor fees and closing costs is expected to be $0 for Metroview and

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less than $3,000 on Trowbridge. The City's mortgage is in 2nd position, which is standard for these affordable housing transactions. The first mortgage position is always taken by a private lender, such as the Bank of Ann Arbor, Michigan Interfaith Housing Trust Fund and Comerica. Otherwise, these lenders would not invest in the properties. As governmental entities, the City, County and MSHDA are always behind the private loans in order of the magnitude of the investment. The first mortgage has legal precedent over the 2nd mortgage and so on. The County will also not be repaid its mortgage of $10,000 for 13 Metroview. Due to the current market conditions, this is the first time the City's mortgages on a nonprofit property will not be fully repaid.

In addition, WAHC is selling off a nine-unit rental property at 723 South Main because this property is the only multi-family property that does not have federal funding restrictions.

The current debt is:

1st mortgage Comerica		$131,724
2nd mortgage City of Ann Arbor		$187,889
	TOTAL	$319,613

The sales price is expected to be approximately $600,000. The net proceeds after paying off the 1st mortgage, realtor fee, and closing costs will be approximately $420,000. The September 22, 2008 memo regarding the WAHC-Avalon contract merger explained that when WAHC paid the City back the $187,889, staff would request that City Council reallocate that amount back to pay off WAHC's outstanding operating payables and lines of credit to enable Avalon to reinvest the remaining proceeds into Avalon's merged portfolio and organization.

Staff now recommends that Council approve the discharge of these three mortgages and cancellation of the Promissory Notes so that Avalon can quickly pay off WAHC's debt and deal with emergency repairs. The Office of Community Development will oversee and approve how the funds are expended. Staff recommends that Council approve this resolution to address the immediate financial issues associated with these three properties and facilitate the development of a viable and sustainable merged organization.

Prepared by Jennifer Hall, Housing Program Manager
Mary Jo Callan, Community Development Director
Reviewed by Jayne Miller, Community Services Administrator
Approved by Roger W. Fraser, City Administrator

Whereas, Washtenaw Affordable Housing Corporation (WAHC) has been working with the Office of Community Development (OCD) and Michigan State Housing Development Authority (MSHDA) on a long-term strategy to maintain WAHC's units as affordable housing;

Whereas, A consultant, Corporate FACTS, was hired by MSHDA and the City to analyze WAHC's portfolio, property management plan, finances, and staffing;

Whereas, All parties have agreed that the most viable solution for WAHC is to merge with Avalon Housing, Inc.;

Whereas, WAHC is selling off 3 properties so that WAHC/ Avalon can use any proceeds from the sale to pay off outstanding operating payables and lines of credit before Avalon takes ownership of any WAHC properties and to enable Avalon to reinvest the remaining proceeds into Avalon's merged portfolio; and

Whereas, The City, County, and MSHDA have a stake in the successful merger of these organizations, because local, state and federal funds have been invested in WAHC's properties;

RESOLVED, That the Mayor and City Council approve the discharge of the mortgages and cancellation of the promissory notes for the balances on 5 Trowbridge ($47,500.00), 13 Metroview ($18,202.00), and 723 S. Main ($187,889.00);

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to execute these documents consistent with this resolution subject to approval as to substance by the City Administrator and approval as to form by the City Attorney; 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.

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