



## Legislation Text

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**File #:** 15-1030, **Version:** 1

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### Resolution to Approve a Ground Lease to West Arbor LDHA LP

The AAHC is redeveloping its public housing properties under the Rental Assistance Demonstration (RAD) program. The RAD program requires the AAHC to renovate these properties as part of the conversion from public housing to RAD project-based vouchers. The Ann Arbor City Council has agreed to transfer ownership of the properties to the Commission.

North Maple Estates (701 - 739 N Maple) include 19 apartments that will be demolished and replaced with 42 apartments and 4 apartments (743 - 749 N Maple) that will be renovated. In addition, the existing community center will be demolished and reconstructed. These two properties are known as the West Arbor project.

The Commission has secured Low Income Housing Tax Credits (\$9,104,511), a loan from the Great Lakes Capital Fund (\$2,350,000), Ann Arbor Housing Trust Funds (\$729,879), Capital Fund Program funds (\$388,178), Community Challenge Planning Grant funds (\$343,000), City of Ann Arbor Sewer funds (\$153,611), and an AAHC deferred developer fee of (\$225,000) to redevelop this property.

The AAHC has formed a limited partnership with a Tax Credit Investor for the properties at 701-749 N Maple, which will be called the West Arbor Limited Dividend Housing Association Limited Partnership. The IRS requires the tax credit investor to have an ownership interest in the property and therefore the Commission will ground lease the properties to the project partnership for a specific term (usually 99 years). The ground lease will call for an upfront capital lease payment equal to the appraised value of the structures (the value of land is not included as it generates no tax credit basis).

Prepared and approved by Jennifer Hall, Executive Director

WHEREAS, HUD has approved the Ann Arbor Housing Commission (AAHC) to convert all 17 public housing properties to Rental Assistance Demonstration (RAD) project-based vouchers and the Ann

Arbor City Council has approved the transfer of ownership of these properties to the Commission; and

WHEREAS, the AAHC is redeveloping the properties at 701-739 N. Maple and 743-749 N. Maple and the AAHC has formed a limited partnership with a Tax Credit Investor which will be called the West Arbor Limited Dividend Housing Association Limited Partnership; and

WHEREAS, The IRS requires the tax credit investor to have an ownership interest in the property which can be accomplished with a ground lease to the project partnership for a set term (usually 99 years). The ground lease will call for an upfront capital lease payment equal to the appraised value of the structures (the value of land is not included as it generates no tax credit basis); and

RESOLVED, that the Ann Arbor Housing Commission Board authorizes the Executive Director to execute a ground lease of the properties to the West Arbor Limited Dividend Housing Association Limited Partnership for a minimum term of 99 years. Such ground lease shall provide for a capital lease payment equal to the appraised value of the structures to be leased, and annual rent of \$1.00 thereafter; and

RESOLVED, that the Ann Arbor Housing Commission Board authorizes the Executive Director to provide purchase money mortgage financing to the West Arbor Limited Dividend Housing Association Limited Partnership equal to no more than the amount of the capital lease payment. Terms of such mortgage loan shall be interest at the applicable Federal Rate, payable from available cash flow only, for a term of 30 years, with all principal and interest due at maturity. Such loan shall be subordinated to any commercial mortgage financing or funding from other public sources requiring a lien preference.

RESOLVED, That Ann Arbor Housing Commission Board authorizes the Executive Director or her designee, the Finance and Administrative Manager, to take any administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.