



Legislation Text

File #: 16-0772, **Version:** 1

Resolution to Approve the Sale of 909 Evelyn Court to Habitat for Humanity of Huron Valley

The Ann Arbor Housing Commission built 909 Evelyn in 1992 with public housing funds. Evelyn is a single family home built on a crawl space, with 3 bedrooms, 1 bath, and a garage. The most recent resident was a 5 person household that moved out with a Housing Choice Voucher after living at Evelyn for 8 years.

The home has extensive damage and is a gut rehab, including replacing the subfloor in the laundry room and bathroom, plumbing, electrical, HVAC, roof, siding, cabinets, fixtures, doors, and relocating the bathroom entrance among other items. The estimated renovation cost is \$142,830 to completely renovate the home so that a new low-income family can move in.

Evelyn no longer has a HUD Declaration of Trust, which is a covenant that attaches public housing regulatory requirements to a property. When North Maple converted under the RAD program, HUD allowed Evelyn to be removed from public housing under the RAD de minimis rule. HUD allows PHA's to remove 5% of its public housing inventory from public housing regulations as it converts its apartments under the RAD program. In 2013, when the AAHC applied to the RAD program, the AAHC board, city council (R-13-0566) and HUD approved the sale of Evelyn to generate revenue to invest in the renovation of other AAHC properties.

Originally, the intent was to sell Evelyn to a family in the AAHC's HCV program who was interested in purchasing a home. However, that would require the AAHC to renovate the property first because it must meet Housing Quality Standards for the HCV program as well as meet lender standards for the homebuyer to get a mortgage.

Rather than spend \$142,830 to renovate the house and sell it to a low-income homebuyer, it would be more feasible to sell it to Habitat for Humanity so that Habitat can renovate it and sell it to a low-income homebuyer. Habitat's cost to renovate the house is much lower than the AAHC's cost because Habitat uses volunteers and donated materials extensively and the AAHC must pay contractors to do the work. In addition, Habitat provides low-interest mortgages and assists with the down payment, which will make the home more financially feasible for a low-income homebuyer to purchase it.

The City of Ann Arbor currently has the deed to the property because Chapter 8, Section 1:209(3) of the City Code requires the City to purchase property on behalf of the Housing Commission. Evelyn was purchased and constructed with HUD funding that was passed through to the City to make the purchase. Consequently, City Council must approve the sale to Habitat for Humanity. Chapter 14, Section 1:321 of the City code requires the City to receive an appraisal to determine the Fair Market Value of the property. Attached is an appraisal for \$82,000 from Cynthia Quinkert dated 5/4/2016.

It is recommended that 909 Evelyn be sold to Habitat for Humanity at the appraised value of \$82,000

in order to maintain the housing for a low-income household and to use the proceeds of the sale toward the renovation of 1504-1508 Broadway, a 20-unit property.

Alternatively, the home could be sold “as is” to the highest bidder through a realtor. If the home is sold through a realtor to the highest bidder, the purchase price might be higher, but there will be additional transaction costs and the home will no longer provide housing for a low-income household, which is the mission of the AAHC.

Alternatively, the AAHC can renovate 909 Evelyn and rent it to a low-income household with a rent subsidy provided by a project-based voucher. A project-based voucher would enable the AAHC to rent the property for about \$1300/month regardless of the income of the household which would generate about \$8700/year in positive cash-flow that could be used to support general agency operating expenses. However, the AAHC has scarce resources and the \$142,830 to renovate Evelyn could be used to renovate Broadway instead. Broadway has 20 apartments and Evelyn is one apartment. Broadway is the only property that the AAHC owns in the 1st ward, while Evelyn is in the 5th ward which already has over 50% of the AAHC’s housing stock. Once Broadway’s Declaration of Trust is removed by HUD and is replaced by project-based vouchers, the projected annual cash-flow is over \$50,000 which can be used for general agency operating expenses. Consequently, Broadway is a more important asset than Evelyn.

Prepared by Jennifer Hall, Executive Director Ann Arbor Housing Commission

WHEREAS, 909 Evelyn Court was previously public housing and HUD removed the public housing Declaration of Trust in August 2015 under the Rental Assistance Demonstration (RAD) program’s de minimis rule; and

WHEREAS, 909 Evelyn can either be sold or rented to a low-income household; and

WHEREAS, 909 Evelyn Court is vacant and requires \$142,830 to renovate the home to a standard so that it can be sold or rented to a low-income homebuyer; and

WHEREAS, Habitat for Humanity of Huron Valley is interested in purchasing, renovating, and selling 909 Evelyn to a low-income homebuyer; and

WHEREAS, Habitat for Humanity is able to renovate Evelyn at a much lower cost than the AAHC and Habitat for Humanity will provide a low-interest loan and down payment assistance to the homebuyer; and

WHEREAS, the Evelyn sales proceeds can be used toward the renovation of 1504-1508 Broadway, a 20-unit apartment building in the first ward; and

WHEREAS, the City of Ann Arbor has the deed to 909 Evelyn and must authorize the sale to Habitat for Humanity of Huron Valley;

RESOLVED, the Ann Arbor Housing Commission Board authorizes the sale of 909 Evelyn Court to Habitat for Humanity of Huron Valley at the appraised value of \$82,000 and directs the Ann Arbor Housing Commission Executive Director to take all necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.

