



Legislation Text

File #: 09-1136, **Version:** 1

Resolution to Allocate \$200,000.00 in Neighborhood Stabilization Program Funds to Avalon Housing Inc. or an Affiliated Ownership Entity for the Acquisition and Rehabilitation of 701 Miller (\$200,000.00 CDBG-NSP Funds) **(8 Votes Required)**

Attached for your review and approval is a resolution to allocate \$200,000.00 in Neighborhood Stabilization Program Funds to Avalon Housing Inc. or an affiliated ownership entity to acquire and rehabilitate 23 units of permanent affordable housing for low-income tenants. The total budget is approximately \$917,000.00. The request for City funds constitutes 22% of the total project costs. Avalon will apply for \$425,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Downtown Development Authority (approved), and approximately \$92,000.00 from the Washtenaw County Weatherization program.

Avalon currently manages the property for Washtenaw Affordable Housing Corporation (WAHC). Avalon will purchase and manage the property and contract with another agency for supportive services. As the property managers, Avalon will screen and income-qualify the tenants.

The project was included in the City's Neighborhood Stabilization Program Grant that City Council approved on September 8, 2009 (R-09-366). The targeted tenants are very low income and some are considered a special needs population and will receive supportive services to assist them to maintain their housing. The NSP plan requires that the units be occupied by households at 50% AMI or less, which is the current income limit for the existing tenants. The City Attorney's office will review the legal and contractual documents to ensure that Avalon will comply with the requirements in the NSP regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations as part of their annual NSP Program monitoring.

Consistent with NSP Program requirements, a mortgage and Housing Affordability Agreement will be placed on the property to preserve the affordability of these units. The City's affordability period will be 30-years, consistent with NSP Plan.

The Washtenaw Urban County Executive Committee, at its meeting on July 21, 2009, reviewed the Avalon request and recommended approval of \$200,000.00 for the project.

The Office of Community Development recommends City Council approve the \$200,000.00 CDBG-NSP loan as a 0% interest, 30-year deferred payment loan, with repayment upon sale or transfer of the property. If the property remains a rental property for 30 years, then the lien will be forgiven. The lien includes an equity-sharing recapture formula. If the property is sold or transferred before the 30 year term ends, then the lien must be repaid in full or based on a formula, whichever is greater. The formula is based on a shared increase in the appraised value at the time of sale or transfer. At the time of initial purchase, the percent of NSP funds as a percent of the appraised value will be calculated. At the time of sale or transfer, the same percent of increase in the appraised value between the initial purchase and the new appraised value will be repaid to the City of Ann Arbor. The greater of this formula and the actual lien amount will be repaid out of net sales proceeds (after

paying all liens, closing costs, realtor fees and deducting the initial owner cash investment).

Avalon Housing Inc. received Human Rights and Living Wage approval in September, 2009.

Prepared by: Jennifer Hall, Housing Manager

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

Whereas, An application was received in January, 2009 from Avalon Housing Inc, for financial assistance to acquire and rehabilitate 23 units of affordable housing at 701 Miller;

Whereas, Of the total project cost of \$917,000.00, Avalon will be leveraging approximately \$425,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Downtown Development Authority, and \$92,000.00 from the Washtenaw County Weatherization program; and

Whereas, This project will provide housing and supportive services to very low income households, which is a high need in the City's Consolidated Strategy and Plan;

RESOLVED, That City Council approve the allocation of \$200,000.00 of CDBG-NSP Funds to Avalon Housing Inc., or an affiliated entity for the acquisition and rehabilitation of 23 units of affordable housing at 701 Miller, as a 0% interest, deferred payment, 30-year loan to be repaid if the property is transferred or the use changes from low-income residential within the term of the loan, otherwise the loan will be forgiven after 30 years;

RESOLVED, That City Council approve a right of first purchase clause by the City and an equity-sharing clause allowing the City to recapture the principal as well a share of the increase in appraised value, as approved by MSHDA and City Council in the NSP plan;

RESOLVED, That as a condition of loan disbursement, Avalon Housing, Inc., or an affiliated entity, 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 the Mayor and City Clerk be hereby authorized and directed to sign a 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.