

## ***AAHTF Funding Request for Swift Lane (Platt Rd & Henry St)***

### FUNDING REQUEST

The Ann Arbor Housing Commission is requesting a \$500,000 grant from the Ann Arbor Affordable Housing Fund for the proposed Swift Lane Project which includes properties on Platt & Henry Streets.

### OVERALL PROJECT NARRATIVE

The proposed project includes 2 sites, one on Henry Street and one on Platt Road.

The Platt redevelopment project consists of demolishing six (6) existing residential units located at 3401-3405 Platt and 3451-3457 Platt in Ann Arbor, and the new construction of 32 new residential units and a community room. The project will include 8 one bedroom one bathroom units, 12 two bedroom one bathroom units, 6 three bedroom two bath units, 2 four bedroom two bathroom units, and 4 five bedroom two bathroom units. Twenty-two of the units will be visitable and five units will be fully accessible – one of each bedroom size.

This White/State/Henry redevelopment project also consists of demolishing 28 existing residential units located at 701 Henry Street in Ann Arbor, and the new construction of 32 new residential units. The project will include 23 one bedroom-one bathroom units and 9 two bedroom-one bathroom units. Each of the 10 units located on the first floor (1 one-bedroom units and 9 two-bedroom units) are visitable; and two of the first floor units will be fully accessible.

These proposed redevelopment sites will result in 64 residential units, 44 of which will receive Project Based Voucher subsidies from HUD through the Rental Assistance Demonstration (RAD) Program.

The AAHC selected Norstar Development USA, L.P. (“Norstar”) as its co-developer in its efforts to assist in a long-term, multi-project revitalization of up to 360 public housing residential units in the AAHC portfolio.

### LOCATION

The proposed project, located at 3451 Platt Road in Ann Arbor, is located in census tract 4055 which is a targeted low-poverty census tract. The site is considered somewhat walkable by *Walkscore* with a score of 45. The site is served by a bus stop located immediately in front of the site. Additional services located within .5 miles or less of the site includes grocery stores (Euro Market), pharmacy (Rite Aid), and public parks (Buhr, Sylvan, and Scarlett Woods), and Scarlett & Mitchell Schools.

The proposed project is also located at 701 Henry Street in Ann Arbor. It is located in census tract no. 26161404600 (4046). The site is considered very walkable by *Walkscore* with a score of 69. The site is served by public bus service with a bus stop located immediately in front of the building to be constructed. Additional services located within .2 miles or less of the site includes grocery stores (Kroger’s and the Produce Station), pharmacy (CVS), and public parks (Pilgrim Park, Redwood Park and Ferry Field). Two schools are located within .4 miles of the site (Mary D. Mitchell School and Scarlett Middle School).

## TENANTS

The proposed project will preserve affordable housing for those households whose annual income is 60% of AMI or less but over 90% of AAHC tenants are at 30% AMI or less. At least sixteen (16) units or 25% of all units will be set aside as permanent supportive housing for households who are at 30% of AMI or less. The tenants will be selected from the AAHC's existing waitlist or through Housing Access of Washtenaw County if the households are homeless. The AAHC's waitlists have the following demographics which would be similar to the households that will move into Swift Lane:

Family Type	# & % on AAHC PH wait list	# & % on AAHC S8 HCV wait list	# & % on Pear PBV wait list	Total # & % on AAHC wait lists
TOTAL	632	385	205	1222
ELI <30%AMI	592 93%	350 91%	200 97.6%	1142 93%
VLI 30-50% AMI	5 0.8%	29 7.5%	5 2.4%	39 3%
LI 50-80%AMI	35 5.5%	6 1.6%	None	41 3%
No special designation	140 23%	83 21.6%	89 43.4%	312 26%
Families with children	332 53%	235 61%	41 20%	608 50%
Elderly families	14 3%	10 2.6%	4 2%	28 2%
Disabled families	147 24%	57 14.8%	71 34.6%	275 23%
Race/Black	440 69.5%	292 75.8%	132 64.4%	864 71%
Race/White	143 22.6%	36 9.4%	46 22.4%	225 18%
Race/Asian	2 .3%	1 .3%	0	3 0%
Race/Am Ind	3 .5%	1 .3%	3 1.5%	7 1%
Race/Pac Islander	0	0	0	0
Race/Other or unknown	45 7%	55 14%	24 11%	124 10%
Ethnicity/Hispanic	21 4%	6 1.6%	6 2.9%	17 6%

All of the existing tenants will be offered the choice of receiving a voucher or moving to another AAHC property during demolition and construction and will be given first choice whether to move back.

### SUPPORT SERVICES

The RAD program requires that new tenants participate in at least one support service which could range from classes on financial literacy and credit repair to substance abuse counseling. Mental Health Support Services will be provided by Community Support and Treatment Services (CSTS) and Avalon Housing will be the lead service provider which means they will coordinate services for tenants. Both properties will have an on-site Community Center which will have both property management and support service offices as well as a community room with a kitchen. The AAHC is working with Avalon to develop the on-site services.

### FINANCING

The project is planning to seek an allocation of 9% Low Income Housing Tax Credits in the upcoming October 1, 2015 round. The project will seek additional funding from the Federal Home Loan Bank, Ann Arbor Housing Trust Fund, HOME funds, and a bank loan.

### RENT RESTRICTIONS

The project has a permanent income and rent restriction due to the RAD vouchers. The project will enter into an agreement with HUD that restricts the income and rent for an initial 20-year period that is required to be renewed by HUD as long as Congress continues to fund the voucher program. HUD's voucher program rules will apply to these units and the AAHC has a HUD approved Administrative Policy that its board has adopted that regulates all aspects of the project. The voucher program limits income to 50% of AMI, with some exceptions that enable a household up to 80% AMI to live in the units. However, the Low Income Housing Tax Credit program and the City of Ann Arbor's PILOT program limit incomes to 60% AMI. Consequently 60% of AMI is the income cap for all of the units except the 25% set aside for special needs and homeless households whose incomes are limited to 30% AMI.

### TIMELINE

The Platt Road project has zoning and site plan approval. The Henry Street project is in the zoning and site plan approval stage right now and is expected to be approved by October 2015. Please see attached zoning and site plan schedule. In October 2015, the AAHC will apply for Low-Income Housing Tax Credits, which is the primary funding source. If LIHTC are received, the demolition will begin in the summer of 2016 and construction will be completed within 2 years of receiving the LIHTC allocation in approximately December 2018.

### ORGANIZATION HISTORY

#### **Ownership and Management Entity: Ann Arbor Housing Commission**

The City of Ann Arbor is the current owner and the City will transfer ownership to the AAHC. Because the project will receive Low Income Housing Tax Credits (LIHTC), a Limited Dividend Housing Association, Limited Partnership must be formed as required by the IRS (hence known as Swift Lane LDHA, LP). The Swift Lane LDHA, LP will initially be a limited partnership formed by

Norstar and the AAHC that will develop the property. The Swift Lane LDHA, LP will have an ownership interest in the property through a 50-year ground lease with the AAHC, in a manner that complies with the RAD Notice and LIHTC program.

The AAHC will form a new affiliate entity which will be the managing General Partner of the Swift Lane LDHA, LP. The General Partner is a single-purpose, LLC taxable entity controlled by the Ann Arbor Housing Commission (Hence known as Swift Lane AAHC LLC). The Non-General Partner will be an affiliate of Norstar Development USA.

Initially the Swift Lane AAHC, LLC will also be the limited partner of the Ownership Entity. Once LIHTC are awarded to the project, Norstar and the AAHC must find an investor to purchase the tax credits. That investor will become the Limited Partner in the Swift Lane LDHA, LP when the property is transferred from the City to the AAHC, the finances are closed, and the property is converted to RAD Project-Based vouchers.

**Other projects in progress and performance on similar projects:**

Following are 3 projects that exhibit the Owner’s experience in affordable multi-family real estate:

Project Name & Type	Description and financing	Type of Rental Assistance	Owner & Key Devel Team	Service Provider	Tenant population	Number of Units and type
Miller Manor Rehabilitation 727 Miller, A2	LIHTC, AAHTF, FHLB, Loan, DDA	RAD & VASH Project Based Vouchers	AAHC owner, AAHC & Norstar Developers	CSTS, Avalon, CSS, VA	50% AMI or less, 60 chronically homeless individuals	106 units, 7 story midrise, 101 1-bdr, 5 2-bdr
Baker Rehabilitation 106 Packard, A2	LIHTC, AAHTF, FHLB, Loan, DDA, CDBG	RAD Project Based Vouchers	AAHC owner, AAHC & Norstar Developers	CSTS, CSS, Avalon	50% AMI or less, 9 homeless	64 1-bdr units, 5 story midrise
Maple Meadows Rehabilitation 800 S. Maple, A2	LIHTC, AAHTF, FHLB, Loan,	RAD Project Based Vouchers	AAHC owner, AAHC & Norstar Developers	CSTS, PNC, Avalon	50% AMI or less, 6 chronic homeless families	29 units, 10 2-bdr, 14 3-bdr and 5 4-bdr

Please see the chart below for Ann Arbor Housing Commission’s history in managing other rental property. Buildings are all structurally sound and are all either undergoing renovations or about to undergo renovations or demolition and new construction.

## City of Ann Arbor Housing Commission

Location	Yr Built	# of Units	Addresses
Baker Commons (RAD PBV)	1980	64	106 Packard
Broadway Terrace	1956	20	1504 - 1506 Broadway
Evelyn Court	1995	1	909 Evelyn Court
Garden Circle (Turnkey)	1971	1	2072 Garden Circle
Green Baxter Court (RAD PBV)	1970	23	1701 - 1747 Green Road
Hikone (RAD PBV)	1970	29	2702 - 2760 Hikone
Hillside Manor	1996	6	1020 - 1042 Pennsylvania
Lower Platt	1970	4	3451 - 3457 Platt
Mallett's Creek	1996	6	2670 -2680 South Main St
Maple Meadows (RAD PBV)	1970	29	800 - 890 South Maple
Miller Manor (RAD PBV)	1971	106	727 Miller
North Maple Estates	1969	19	701 - 739 North Maple
North Maple Duplexes	1998	4	743 - 749 North Maple
Oakwood	1969	3	3565 - 3685 Oakwood
South Seventh	1969	8	221 - 253 S. Seventh
Upper Platt (Colonial Square)	1964	5	3681 -3689 Platt
West Washington	1969	2	805 - 807 W. Washington
White/State/Henry	1948	28	1514 & 1520 White, 1521 State, 701 - 719 Henry
<b>Summation</b>		<b>359</b>	

**Special organizational factors indicating the capacity to carry out housing activities:**

***Co-Developer: Norstar Development USA, L.P.***

Norstar Development USA has an extensive and proven track record in developing and constructing affordable housing across the country. Norstar has developed more than 30 mixed finance projects over the last 10 years, resulting in more than 2,900 rental housing units. Norstar is currently under construction on a \$110 million, 494-unit HOPE VI revitalization at Gardenview Estates in collaboration with the Detroit Housing Authority.

Norstar and its affiliates have maintained a successful track record with HUD, State and local housing finance agencies, receiving millions of dollars of awarded project funding from sources including 4% and 9% Low Income Housing Tax Credits, Project-Based Section 8, FHLB AHP grants, FHA 221(d)(4) mortgages, CDBG grants, HOME program funds, Section 108 loans, federal HOPE VI, and Neighborhood Stabilization Program and Replacement Housing Factor funds.

Norstar was selected in January 2013 as the Co-Developer for the Phase 2 – Part 1 RAD Development through an RFP Process, and will be responsible for applying for project funding, including 9% Low Income Housing Tax Credits in the August 2013 round, managing budgets and schedules, selecting Consultants, and supervising construction of the project. Norstar will also provide construction completion, LIHTC adjuster, and operating deficit guaranties.

**RESERVE POLICY**

The AAHC does not have a reserve policy, reserves are regulated by HUD.

**SECURED FUNDING**

None of the funding is secured. The AAHC is requesting AAHTF funds first to show local support in its LIHTC application. The next HOME funding round is in Dec 2015. Once LIHTC funds are secured, the AAHC will apply for FHLB funding which is difficult to secure without the other funding in place. The bank loan will be committed prior to the LIHTC application.

**COST EFFECTIVENESS**

The total development cost is \$14,487,432 for 26 units of demolition and 64 new construction units which is \$226,366 per unit including the cost of two community centers. The request for \$500,000 is \$7,813 per unit.