

MEMORANDUM

TO: Board of Commissioners
Ann Arbor Housing Commission

FROM: Jennifer Hall, Executive Director

DATE: March 15, 2017

I. FEDERAL

- A. President Trump has proposed a 14% - 16% decrease in HUD funding.** The impact on low-income households will be devastating and will exacerbate the affordable housing shortage in the community. The budget proposes eliminating CDBG and HOME funds, which are administered by Washtenaw County. These funds support both low-income rental and owner housing through agencies like Avalon and Habitat for Humanity. CDBG funds also provides funding for support services in the community including for Peace Neighborhood Center and Community Action Network at AAHC community centers. Public Housing operating and capital funding were also a target of large funding cuts, which impacts the AAHC, but not as drastically as it would if we had not converted 2/3 of the AAHC public housing portfolio to the voucher program.

The Voucher program is targeted as well and a 15% cut in funding is approximately \$1.8 million and a reduction of 254 vouchers. Advocacy groups are organizing responses and I encourage the board to communicate with our federal legislators the importance of HUD funding to our lowest income residents. I will continue to send emails to the board of advocacy opportunities.

- B. Voucher Funding:** HUD is currently funding voucher rental subsidies (HAP) at 95% of projected need based on September to December 2016 actual lease-up. This does not take into consideration the additional vouchers that are being leased up at West Arbor from Dec 31, 2016 through April 30, 2017. I expect that the AAHC will be in shortfall again in 2017 and will have to apply for additional HAP funds.

HUD is currently funding the voucher administrative fee at 78% of projected expenses, which has reduced the monthly voucher administrative fee from a high of \$101,000/mo in October 2016 to \$93,000/mo in March 2017.

II. RAD REDEVELOPMENT

- A. West Arbor (N Maple):** Certificates of Occupancy have been issued to 43 of the 46 apartments and 28 families have moved in. 21 of the 46 apartments will be occupied by homeless households. Both PNC and Avalon have staff offices in the community center to support tenants. All 46 apartments must be leased up by April 30th to meet our tax credit requirements. All tenants have been selected and Makia Slaughter and Beth Yaroch are working very hard to get all of the necessary paperwork to ensure that these tenants are eligible.
- B. Swift Lane (White/State/Henry and Lower Platt):** I am working with Norstar and Avalon to submit another tax credit application. There are several changes from the October 2016 application that will make the application more competitive.

Due to the drop in the tax credit market, the application includes a projected tax credit price of 90 cents on the dollar. In comparison, we received 1.02 cents for every dollar of tax credits for West Arbor and we received 90 cents for River Run and Maple Tower. Swift Lane is the most expensive project to date (\$18 million) due to it including 2 different locations of demo and new construction, which is more expensive than renovations.

Consequently there is still a \$2.2 million gap in funding. We will apply for \$500,000 in FHLB funding, which we have been successful in securing for our other projects. We applied for \$500,000 in HOME funds from Washtenaw County. We are working with the Brownfield Authority to apply for \$800,000 in funding. If the city agrees to sell the Library Lane lot, 50% of the proceeds will go to the Ann Arbor Housing Trust Fund and we will be able to apply for the balance of any gap from the AAHTF. If we are not able to secure all of the gap funding from outside funders, we will need to sell Broadway to finance the redevelopment of the Swift Lane properties.

In addition, we have removed the transfer of 12 Broadway rent subsidies to Swift Lane in order to increase rent revenue, which will enable us to increase debt by \$575,000 and reduce the need to secure grant funding. All of the units will still have a project-based voucher rent subsidy but the rent subsidy will not be a RAD PBV, which has a much lower rent limit than regular PBV.

Norstar has kindly agreed to reduce its portion of the developer fee from 75% to 49%, which is a reduction of about \$300,000 from their developer fee in order to add 2 points to the application. The increase in developer fee for the AAHC will also be used to fill the gap in development funds. There is a council resolution on the March 20th Council meeting to support the Swift Lane redevelopment as a neighborhood redevelopment project which could add up to 10 points to the project. Avalon has agreed to target some Continuum of Care funding to services and target tenants who are high users of emergency services to gain 6 points.

If MSHDA agrees with all of these changes, it will add 18 points to the application, which will increase the score from 132 to 150 points.

C. Colonial Oaks (Main, Penn, Seventh, Colonial Platt): 19 apartments are completely renovated and occupied by qualified tenants and 6 are under renovation. The final 6 apartments will be re-bid out to a general contractor rather than the AAHC acting as a general contractor so that we can finish the project faster.

D. Evelyn: No update

III. CITY/COUNTY/OTHER RELATIONS

A. City Council Budget. The City is entering its 2-year budget cycle for FY18 & FY19. The AAHC is currently receiving \$240,000 in general funds from the city to cover its operating budget deficit, not the \$340,000 I reported at the January meeting. The City penciled in \$260,000 in operating support for FY18 and \$160,000 in operating support for FY19 based on projections from several years ago that projected that the AAHC would have completed its RAD conversions in FY18. After meeting with Howard Lazarus and City finance staff, Howard will be recommending that City Council add \$113,000 to the FY18 budget and an additional \$68,000 to the FY19 budget. This discussion occurred

prior to the Trump budget leak, which, if adopted, will have a significantly higher negative impact on the AAHC's budget. Once the federal budget is actually adopted, we will have a better idea of the real impact and if necessary, then I will request additional support from city administration and city council.

- B. **Ann Arbor Police Department:** Beth Yaroch and I met with the consulting firm of Hillard Heintz who are meeting with City and civic leadership to review the goals of the project and gain input so they can establish the detailed schedule for the AAPD Community Engagement Practices Evaluation.
- C. **Continuum of Care Built for Zero:** Attached is a report from the Washtenaw County Continuum of Care providing a review of accomplishments in 2016. The AAHC was a critical partner in housing many homeless veterans, single adults and families. The report also includes data from the 2017 Homeless Point in Time Count.
- D. **Michigan Supportive Housing Collective:** I attended a quarterly meeting to discuss strategies and overcome barriers to providing permanent supportive housing. I learned at this meeting that Michigan has submitted a Medicaid waiver to the federal government to enable Michigan to expand its reimbursable activities to include supportive services. This waiver has been approved in many other states and when approved for Michigan will have a huge impact on Avalon's financial ability to provide supportive services to our tenants.

IV. FINANCIAL REPORT AND UPDATE

See attached December 2016 & January 2017 financials. Please note that we have changed the reporting format and we welcome your input on the financial information provided to the board. The tax credit properties are now on a stand-alone financial statement because the tax credit properties are on a calendar year fiscal year, while the AAHC and AAHDC are on July to June fiscal years. This change will more accurately reflect the financial condition of the tax credit properties on a year-to-date basis. This change led to a 3rd financial report for related business entities that are not tax credit entities rather than combining them with AAHC cost centers.

V. PROCUREMENT ACTIVITIES BEYOND SMALL PURCHASES (\$25,000+)

No contracts to report

VI. PERSONNEL

- A. **Staffing:** Welcome to Stephen Veals, Facility Maintenance Technician, who has a wealth of experience working in the private sector. Welcome to Bonnie Miller and Leslie Turner who were both hired as temporary office support staff. They have already had a positive impact on the workload of the Occupancy Specialists while we are trying to fill 3 Occupancy Specialist positions.
- B. **Progressions:** The AFSCME Union and City of Ann Arbor Human Resources have approved progressions for the Occupancy Specialists (10 FTE's) which took effect in January 2017. The Occupancy Specialist base starting salary increased by about \$1,800/year. Progressions will give staff an opportunity to increase salaries further by demonstrating mastery of job responsibilities. The Occupancy Specialists grieved the implementation of their progressions based on how existing employees are classified

within the initial progression pay scale. The City and AFSCME did not agree on the interpretation of progression implementation and the union may take the matter to arbitration.

- C. **Training:** The city has adopted a widespread safety training series customized by department and job responsibilities. All AAHC staff have a series of training sessions that vary from ergonomics to dealing with an active shooter. Most of the training sessions can be taken on-line and others are in-person. David Ehman and Levi Clark have started a 6-month long training process to become Certified Apartment Maintenance Technicians. Matt Ramsey and Stephen Veals already have CAMT certification.

VII. OPERATIONS

- A. **Maintenance:** Thank you to Tim Olivier, our new Facility Maintenance Manager, who has identified and started fixing multiple building problems including roof leaks at Baker, back-up generators at Baker and Miller, and plumbing problems at multiple locations. Tim has also identified areas where the AAHC can save money by purchasing equipment for our staff to use rather than hiring an outside contractor. For example, we have purchased an industrial strength air blower to use when there has been a water or sewer leak to dry out flooring. The cost of the blower will pay for itself after just two uses.
- B. **REAC Inspections:** HUD contractors conducted annual REAC inspections in January for the East and West side public housing units. Although the only public housing units left on the West side is West Washington, Garden was included in the inspections as well. The East side included Oakwood, which is in good condition; and Platt, White/State/Henry and Broadway, which are all in poor condition and are scheduled for demolition or disposition. We received a score of 83 for the West side out of 100 points and we received a score of 37 points on the East side.

The AAHC fixed all the identified health and safety issues on all properties but we will not be fixing other identified violations at Platt because 3 of the tenants will be moving out to other properties this week and the 4th tenant will be moving in the next couple months and we will not be re-renting those apartments. At White/State/Henry the number of violations and the cost to fix the problems exceeds our capital fund budget from HUD. Therefore, we will be fixing issues that can be fixed in apartments that people are living in (10 families left) and not fixing many of the building issues because the building will be demolished and tenants will be moving to alternative locations. HUD is aware of our plans to redevelop these buildings under the RAD program.

- C. **Financial Operations:** Thank you to Ulli Raak, our new Finance Manager, for working with financial staff to identify financial processes that are duplicative or cumbersome and eliminating them, which is saving staff time and enabling us to get caught up in the finance department.
- D. **Tax Credit Audits and Tax Returns:** Ulli Raak is taking the lead on providing Plante and Moran financial information for Maple Tower and River Run as well as proving financial information to Yeo and Yeo for West Arbor. Ulli has been incorporating and reconciling development financials from Norstar with the AAHC's operating financials. Yeo and Yeo will not be conducting an audit for West Arbor for 2016 since the project was still substantially incomplete as of December 31, 2016, but they will be doing the tax returns for West Arbor LDHA and all of the partners.