

## **Ann Arbor Housing Trust Fund Project Application**

### **815, 821 Gott Street**

#### **1. Funding Request**

Avalon Housing, Inc would like to request a total of \$50,000 in Ann Arbor Housing Trust Funding for the acquisition and rehab at 815 and 821 Gott Street. We are requesting this either as grant funding or as fully deferred loan at 0% interest. Avalon is planning to combine AAHTF funds with an application for local HOME Funds, Federal Home Loan Bank Affordable Housing Program funds along with private debt. A more detailed development proforma is included later in this application.

#### **2. Project Narrative**

##### **a. Project Location**

815 and 821 Gott Street are two adjacent three-unit buildings located on the west side of Ann Arbor. The neighborhood is characterized primarily by an early 1900's single-family home stock with a few newer duplexes; many of the single family structures have been subdivided into apartments. There is a mix of rental and home ownership. There are 2 bus routes serving the neighborhood.

##### **b. New/Existing Structures**

The project site includes two adjacent lots of .2 acre each with existing structures. Both structures were built in 1901.

##### **c. Number of units**

There are three units in each building. 815 includes one efficiency, one one-bedroom and one two-bedroom unit. 821 has three one-bedroom units.

##### **d. Description of population to be served**

We are targeting special needs or homeless households for at least two (2) of these units.

##### **e. Household Income Targeting**

We anticipate at least two (2) of the units will be reserved for households at or under 30% of AMI, with the remaining four (4) units reserved for households at or under 50% AMI.

##### **f. Length of time units will remain for income restricted**

We recently applied for HOME funds through the Urban County. We also plan to apply for Affordable Housing Program funds through the Federal Home Loan Bank. Both of these include long-term income restrictions for households being served, ranging from

15-30 years. We expect this will be the long term income restriction for our Gott Street properties.

g. Ensuring units will be occupied by low-income persons

With our other intended funding for these units, we are committing to house persons with very and extremely low incomes initially and throughout the 15-30 year compliance period. We will be required to conduct initial income certifications demonstrating this for all new move-ins and at annual recertification. This information is reported back to the City of Ann Arbor, Washtenaw County and the Federal Home Loan Bank.

h. Housing Choice Vouchers

Avalon has always and continues to accept households with Housing Choice vouchers and will do so at these properties.

i. Project Schedule

Our project schedule is as follows:

<b>Funding application to Washtenaw Urban County</b>	<b>January 2016</b>
<b>Funding application to AAHTF</b>	<b>February 2016</b>
<b>Funding application to FHLB</b>	<b>April 2016 (est)</b>
<b>All funding approved</b>	<b>August 2016</b>
<b>Closing on Permanent Financing</b>	<b>December 2016</b>
<b>Lease-up start</b>	<b>July 2017</b>
<b>Fully occupied and services operational</b>	<b>August 2017</b>

j. Permitting status

We have not yet pulled any permits for this project.

k. Description of Supportive Services

Avalon Housing provides extensive supportive services that are available to all tenants. Definitions of permanent supportive housing vary among funders. Avalon considers 100% of our units to be permanent supportive housing, as we offer supportive services to all our tenants, combined with our enhanced property management. A significant subset of the population in Avalon's overall housing stock is homeless or has a special need.

Avalon's "Enhanced Property Management" approach blends traditional landlord activities with a variety of outreach, engagement and community-building work designed to prevent eviction. In order to minimize role confusion and the potential misconception that tenants are living in a "residential program", Avalon has staff in a separate services program within Avalon. Supportive services are individualized, flexible and vary based on tenant need, as well as ongoing and not time-limited. A primary principle of this model is that service participation is voluntary and is not a condition of tenancy, unless negotiated as an alternative to eviction. Participants may participate in services intensely at some points and not at all at other points. This model of service

provision requires particular focus on engagement which begins through outreach during the application and lease-up period and continues throughout tenancy. As a result of the housing history and health status of most Avalon tenants—as well as Avalon’s outreach to at-risk populations and tenancy criteria associated with some funding—most tenants derive an ongoing benefit from services and services help to stabilize housing.

I. **Housing Needs Assessment**

With the publication of the Housing Affordability and Economic Equity Analysis in January 2015 and its subsequent review and adoption by the County and other local governments, a clear guide was established for addressing housing market and economic inequity in Washtenaw County. Avalon’s work to date—260 units of housing affordable to our community’s lowest income and most disadvantaged residents, all in the City of Ann Arbor—is entirely consistent with the goals found in that report. In particular, this project addresses the following goals found in the assessment:

- The addition of 6 units of affordable non-student rental housing in Ann Arbor contributes towards the annual goal of 140 of these units and the 2035 goal of 2,797 of these units.
- These units are well located in relation to public transportation and are close to job centers—thus providing affordable housing in a location that is convenient for residents and less likely to contribute to increased commuting pressure.

3. **Organization Description**

a. **Organizational history**

Avalon Housing was created in 1992 to develop and manage permanent affordable housing with support services for people with very low incomes and disabilities. The organization grew out of the local emergency shelter program in an effort to develop long-term solutions to homelessness. As of February 2016, Avalon owns and manages 260 units of permanent supportive housing at twenty properties, all of which are located within Ann Arbor. In addition, Avalon provides services to approximately 200 households residing outside of Avalon.

Avalon’s mission begins with the belief that housing is a basic human right. We develop and manage Permanent Supportive Housing (PSH) for people who are homeless and who have a mental or physical disability. We provide supportive services for adults and children living in PSH, with the goals of helping them maintain housing stability, increase self-sufficiency, and build community. The goal of Avalon Housing is to help people with histories of homelessness and housing instability to achieve independence, self-sufficiency and community connections and to enhance their quality of life.

b. Other projects

A list of Avalon's properties is attached, including the financing for each property. Avalon has developed and managed each of these and ensures we continue to meet on-going compliance requirements.

c. History of Management

Avalon has been managing and maintaining a scattered-site stock of supportive housing since 1992, and currently manages 260 units at twenty properties. All of the properties Avalon currently manages are owned by Avalon directly or through a subsidiary. Avalon's property management stock includes: duplexes; former houses now serving as multi-family rental properties; to more traditional apartment projects ranging from 14-39 units. Avalon's enhanced management model is the key to our ongoing success in housing persons who have been homeless. A more detailed Standard Operating Procedures manual is also used by Avalon staff for day to day property management concerns ranging from landlord/tenant laws to regulatory requirements to maintenance work orders. Avalon property management and maintenance staff have attended national trainings on property and asset management, regulatory compliance, facilities management and lead paint requirements. Avalon's Asset Manager oversees the property management and maintenance teams, which include seven FTEs. Avalon's Facilities Manager supervises the 4-FTE maintenance staff. Avalon maintains a 24-hour on-call management pager that is answered by its services team; a property management staff and a maintenance staff person are also on call at all times.

d. Relevant Performance/Capacity

Over its 23 year history, Avalon has developed affordable housing units in Ann Arbor primarily through acquisition and rehab. This includes thirteen scattered site properties in the City of similar size to this proposal. We have previously used the funding sources proposed here, including local HOME funds and Federal Home Loan Bank Affordable Housing Program funds. We have closed on projects, overseen their successful rehab, followed by on-going management and support services provision. Over the past few years, Avalon has also undertaken a concentrated effort to reinvest in its older properties by obtaining funding to restructure them financially to ensure they continue successfully for the next many years, as well as reinvesting in the physical needs of the properties, emphasizing key building systems such as structural, heating/cooling, electric as well as energy efficient upgrades. We have significant experience in evaluating and prioritizing the needs of older buildings and addressing those in the rehab process.

e. The request financial information is attached to this submission, unless separately provided to the County Office of Community and Economic Development as part of our

February 28 HOME and CHDO submissions. Additional copies can be provided upon request.

- i. Most recent audit (2014) *included with 2016 CHDO/HOME submission*
- ii. Most recent 2 years of 990s. (2013, 2014) *included with 2016 and 2015 CHDO/HOME submission*
- iii. Current and prior year Board-approved agency budgets (2015, 2016) *included with 2016 and 2015 CHDO/HOME submissions*
- iv. Current and prior year end operating statements, *included with 2016 CHDO/HOME submission*
- v. Current reserve policy—*attached*.

#### 4. Project Proforma and Budget

This project is requesting \$50,000 in AAHTF funds, which amounts to \$8333 per unit. Our total project costs is anticipated to be \$1,005,515 or approximately \$167,000 per unit. We are leveraging Washtenaw Urban County HOME funds, Federal Home Loan Bank Affordable Housing Program funds, and a permanent loan. Attached is the development proforma identifying sources and uses, including the status of funding submissions.

Attachments:

- List of Avalon-operated properties with project financing
- Current reserve policy
- Development proforma

## Property List

*Properties owned by Avalon or its subsidiaries as of January 2015*

1. **201 W. William St.**, 1925 wood frame house. Acquired 1992. 6 efficiency apartments.

Financing: \$229,143 total cost

\$100,000 City of Ann Arbor Housing Trust Fund

\$ 26,193 Michigan Housing Trust Fund

\$ 90,000 Tax credit syndication. Limited Partners National City,  
Key, Comerica, Bank One



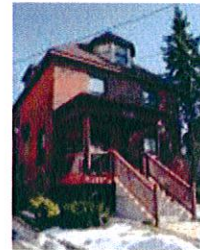
2. **532 N. Main St.**, 1900 brick house. Acquired 1992. 1 one-bedroom apartment & 6 sleeping rooms.

Financing: \$184,800 total cost

\$ 102,500 City of Ann Arbor HOME Funds & Housing Trust Funds

\$ 25,000 Federal Home Loan Bank Affordable Housing Program

\$ 57,300 Great Lakes National Bank



3. **518, 520, 522 S. Division St.**, 1900, 1910 & 1930 wood frame houses. Acquired 1993. 10 sleeping rooms & 3 efficiencies & 2 one-bedroom apartments & 1 two-bedroom apartment.

Financing: \$570,000 total cost

\$405,000 City of Ann Arbor HOME Funds & CDBG Funds

\$ 90,000 Federal Home Loan Bank Affordable Housing Program

\$ 75,000 Washtenaw County



4. **211 E. Davis St.**, 1940 concrete and stucco building. Acquired 1994. 14 efficiency apartments & 1 one-bedroom Pilot Light tenants organization unit.

Financing: \$524,250 total cost

\$334,250 City of Ann Arbor HOME Funds

\$ 95,000 Federal Home Loan Bank Affordable Housing Program

\$ 50,000 Michigan Housing Trust Fund

\$ 45,000 Washtenaw County



5. **Stimson Apartments**, 1959 & 1960 wood frame and brick veneer buildings. Acquired 1994. 18 one-bedroom units & 5 two-bedroom units

Financing: \$908,158 total cost

\$550,000 City of Ann Arbor HOME Funds & CDBG Funds

\$180,000 Federal Home Loan Bank Affordable Housing Program

\$ 70,000 Adrian Dominican Sisters

\$ 58,158 First of America/CCI

\$ 50,000 Washtenaw County



6. **610 W. Summit**, 1900 wood frame house. Acquired 1995. 5 efficiency apartments & 1 1-bedroom apartment

Financing: \$221,011 total cost

\$125,000 City of Ann Arbor HOME Funds

\$ 40,000 Federal Home Loan Bank Affordable Housing Program

\$ 40,000 Washtenaw County

\$ 16,011 Michigan Housing Trust Fund



7. **125 & 127 Allen**, 1963 block and wood frame duplexes. Acquired 1995/6. 4 2-bedroom apartments.

Financing: \$221,175 total cost

\$110,000 Michigan State Housing Development Authority

\$ 43,175 City of Ann Arbor HOME Funds

\$ 40,000 Washtenaw County

\$ 28,000 Federal Home Loan Bank Affordable Housing Program



8. **1217 W. Huron**, 1869 wood frame house. Acquired 1996. 5 efficiency apartments & 2 1-bedroom apartments.

Financing: \$363,025

\$153,925 City of Ann Arbor HOME Funds

\$110,500 Michigan State Housing Development Authority

\$ 40,000 Washtenaw County

\$ 38,500 Federal Home Loan Bank Affordable Housing Program

\$ 20,100 Local Initiatives Support Corporation





9. **115 & 119 N. Glendale**, 1963 block and wood frame duplexes. Acquired 1997. 4 2-bedroom apartments

Financing: \$285,000 total cost

\$124,000 Michigan State Housing Development Authority

\$124,000 City of Ann Arbor HOME Funds

\$ 25,000 Washtenaw County

\$ 12,000 Federal Home Loan Bank Affordable Housing Program



10. **Arbordale Apartments**, 1957 wood frame and brick veneer buildings. Acquired 1998. 34 1-bedroom apartments & 5 2-bedroom apartments & 1 2-bedroom service provision unit

Financing: \$4,615,975 total cost

\$2,061,815 Tax credit syndication: National Equity Fund, limited

\$1,400,000 MSHDA HOME Funds

\$ 730,000 City of Ann Arbor HOME Funds & Housing Trust Funds

\$ 178,660 General Partner Equity

\$ 175,500 Federal Home Loan Bank Affordable Housing Program

\$ 70,000 Washtenaw County



11. **411 N. Ashley**, 1900 wood frame house. Acquired 1998. 6 sleeping rooms & basement service provision office space.

Financing: \$369,213 total cost

\$136,105 Ann Arbor Downtown Development Authority

\$100,000 MSHDA

\$ 74,508 HUD-Supportive Housing Program

\$ 33,600 City of Ann Arbor Housing Trust Funds

\$ 25,000 Federal Home Loan Bank Affordable Housing Program



12. **1305 – 1313 Pontiac Trail**, 1968 wood frame & brick veneer duplexes. Acquired 2000. 4 2-bedroom apartments.

Financing: \$466,582 total cost

\$270,000 Corporation for Supportive Housing (bridge loan)

\$242,582 City of Ann Arbor HOME Funds & CDBG Funds

\$160,000 MSHDA

\$40,000 Washtenaw County

\$24,000 Federal Home Loan Bank Affordable Housing Program



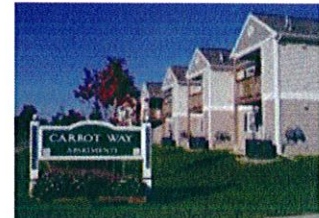
13. **517 W. Summit**, 1992 wood frame duplex. Acquired 2003. 2 3-bedroom apartments.

Financing: \$316,075 total cost  
\$150,000 City of Ann Arbor HOME Funds  
\$ 60,000 MSHDA  
\$ 25,000 Washtenaw County  
\$ 81,075 Local Initiatives Support Corporation



14. **Carrot Way Apartments**, new construction wood frame buildings. Completion 2005. 6 1-bedroom, 16 2-bedroom & 8 3-bedroom units with an on-site community building.

Financing: \$5,484,128 total cost  
\$2,600,144 Tax credit syndication: Great Lakes Capital Fund, limited partner  
\$1,450,000 MSHDA HOME Funds  
\$1,000,000 City of Ann Arbor HOME Funds  
\$ 200,000 Religious Action for Affordable Housing  
\$ 135,000 Federal Home Loan Bank Affordable Housing Program  
\$ 80,984 General Partner Equity



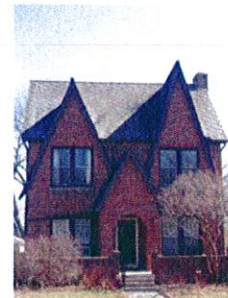
15. **426 S. First**, 1966 Two-level, wood-frame building. Acquired 2006. 6 1-bedroom, 1 2-bedroom units.

Financing: \$1,078,950 total cost  
\$525,000 City of Ann Arbor HOME Funds  
\$300,000 MSHDA HOME Funds  
\$153,950 Downtown Development Authority  
\$ 75,000 LISC  
\$ 25,000 Private Investment



16. **819 Third Street**, 1930 wood-frame brick veneer building. Acquired 2007. 2 Efficiency, 4 1-bedroom units.

Financing: \$1,000,000 total cost  
\$500,000 MSHDA  
\$415,000 City of Ann Arbor HOME Funds  
\$ 60,000 Downtown Development Authority  
\$ 25,000 Washtenaw County



17. **1675/1677 Broadway**, 1928 wood-frame, brick veneer building. Acquired 2007. 2 1-bedroom, 1 2-bedroom and 1 3-bedroom units.

Financing: \$780,000  
\$360,000 MSHDA  
\$355,000 City of Ann Arbor HOME Funds  
\$ 40,000 Federal Home Loan Bank  
\$ 25,000 Washtenaw County



18. **Pear St. Apartments**, 1960's block apartment building, Acquired 2008. 20 1-bedroom apartments.

Financing: \$3,025,468 total cost  
\$1,042,303 Tax credit syndication: Great Lakes Capital Fund, limited partner  
\$ 500,000 MSHDA Homeless Initiatives Funding  
\$ 845,000 City of Ann Arbor HOME Funds  
\$ 233,056 Nonprofit loan: Capital Fund Services  
\$ 200,000 Federal Home Loan Bank Affordable Housing Program  
\$ 189,100 MSHDA Housing & Community Development Fund  
\$ 16,000 Deferred developer fee



19. **701 Miller**, 1965 wood frame apartment block with stucco veneer, acquired 2011. 22 2-bedroom units and 1 Efficiency plus a Community Center.

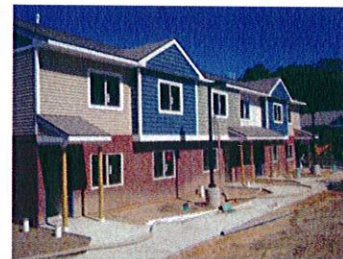
Financing: \$3,723,964 total cost  
\$1,456,120 MSHDA NSP  
\$ 598,889 Washtenaw County HOME Funds  
\$ 567,166 City of Ann Arbor HOME Funds  
\$ 410,263 City of Ann Arbor NSP  
\$ 263,425 Ann Arbor DDA  
\$ 230,000 Federal Home Loan Bank  
\$ 103,598 Washtenaw County CDBG  
\$ 94,503 Deferred Developer Fee



#### 20. **Pauline Apartments**

2013 wood frame buildings. 6 1-bedroom units, 14 2-bedroom units, and 12 3-bedrooms, plus a Community Center.

Financing: \$10,847,544 total cost  
\$6,934,800 Tax Credit Syndication: NEF, limited partner  
\$2,318,324 MSHDA HOME Funds  
\$ 750,000 Federal Home Loan Bank  
\$ 500,000 Washtenaw Urban County CDBG  
\$ 344,320 Deferred Developer Fee  
\$ 100 General Partner Capital Contribution



# **AVALON HOUSING inc.**

## Operating Reserves Policy

### **Purpose**

The purpose of the Operating Reserves policy for Avalon Housing is to ensure the stability of the mission, programs, employment and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Avalon Housing for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with other governance and financial policies of Avalon Housing and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

### **Definitions and Goals**

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve is equal to one third of total annual operating costs for Avalon Housing, which for fall 2011 is \$630,000. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program and other ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes pass-through programs, one-time or unusual, capital expenses.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

### **Accounting for Reserves**

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The fund will be funded and available in cash or cash equivalent funds.

## **Funding of Reserves**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants or special appeals.

## **Use of Reserves**

Use of the Operating Reserves requires three steps:

### **1. Identification of appropriate use of reserve funds**

The Executive Director and staff will identify the need for access to Operating Reserve funds and confirm that the use is consistent with the purpose of the Operating Reserves as described in this policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using Operating Reserves, and the evaluation of the time period that the funds will be required and replenished.

### **2. Authority to use Operating Reserves**

The Executive Director will submit a request to use Operating Reserves to the Finance Committee of the Board of Directors. Any requested draw of Operating Reserves in a single amount of \$50,000 or more, or a series of draws that totals \$100,000 or more within a 12 month period requires approval from the full Board of Directors. All requests will include a staff analysis and determination for the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Finance Committee / Board of Directors will approve or modify the request and authorize transfer from the fund.

### **3. Reporting and monitoring**

The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee / Board of Directors of progress to restore the fund to the target minimum amount.

## **Review of Policy**

This policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the Finance Committee to the Board of Directors.

**PROJECT PROFORMA - 815, 821 Gott proforma**

TOTAL NUMBER OF UNITS	6
Efficiency	1
One-bedroom	4
Two-bedroom	1

**DEVELOPMENT BUDGET** TOTAL PER UNIT

	<u>COST</u>	<u>COST</u>
<b>Acquisition</b>		
Acquisition	\$500,000	\$83,333
<b>TOTAL ACQUISITION COSTS</b>	<b>\$500,000</b>	<b>\$83,333</b>

<b>II. Rehab Costs</b>		
Rehab cost (estimated)	\$183,832	\$30,639
Rehab contingency	\$18,383	\$3,064
<b>TOTAL CONSTRUCTION COSTS:</b>	<b>\$202,215</b>	<b>\$33,703</b>

**III. Soft Costs**

Survey/Engineering	\$2,500	\$417
Appraisal	\$3,600	\$600
Environmental	\$12,000	\$2,000
Architectural /spec fees	\$7,500	\$1,250
Capital Needs Assessment	\$3,650	\$608
Market study	\$0	\$0
Developer Fee (15%)	\$131,000	\$21,833
Acqu Bridge loan origination fee	\$8,250	\$1,375
Acqu Bridge loan interest	\$16,500	\$2,750
Construction loan origination fee	\$1,900	\$317
Cost Certification	\$0	\$0
Legal fees	\$10,000	\$1,667
Perm loan origination fees	\$1,900	\$317
Title insurance, Recording fees, UCC fees	\$6,000	\$1,000
Permits and fees	\$0	\$0
Taxes at closing	\$6,500	\$1,083
Construction period taxes	\$13,000	\$2,167
Construction period insurance	\$5,000	\$833
Construction period interest	\$10,000	\$1,667
Construction period utilities	\$0	\$0
Relocation	\$54,000	\$9,000
Operating Assurance Reserve	\$0	\$0
Operating Deficit Reserve	\$0	\$0
Replacement Reserve	\$10,000	\$1,667
Project contingency	\$0	\$0
<b>TOTAL SOFT COSTS:</b>	<b>\$303,300</b>	<b>\$50,550</b>

**TOTAL DEVELOPMENT COSTS (I+II+III) \$1,005,515 \$167,586**

**SOURCES OF FINANCING**

Washtenaw Urban County HOME or CDBG, pendir	\$375,000	\$62,500	
FHLB, app due April 2016	\$370,000	\$61,667	
Ann Arbor Housing Trust Fund, applying Feb 2016	\$50,000	\$8,333	
Hard debt, applying March 2016	\$183,400	\$30,567	
Deferred Developer fee	\$0	\$0	
	\$27,115	\$4,519	18%
<b>TOTAL</b>	<b>\$1,005,515</b>	<b>\$167,586</b>	

sources less uses (S0)