

## MINUTES

Housing and Human Services Advisory Board  
Tuesday, July 22, 2008 6:00 – 8:00 PM  
110 N. 4<sup>th</sup> Avenue, 1st Floor Conference Room

Members Present: Stephen Pontoni, David Blanchard, Robyn Konkol, Teresa Myers, Ned Staebler, Kristine Martin

Members Absent: Soni Mithani, Stephen Rapundalo, Anthony Ramirez, Barbara Eichmuller, Margie Teall

Staff Present: Jennifer Hall, Mary Jo Callan, Candace Cadena

Guests: Michael Appel

I. Convene Meeting

N. Staebler called the meeting to order at 6:10 pm.

II. Public Comment

None.

III. Approval of the Agenda

**S. Pontoni moved to approve the agenda with one change of moving the WAHC/Avalon discussion after the HOME RFP discussion; D. Blanchard seconded. Motion Approved, 6-0 (Blanchard, Konkol, Pontoni, Myers, Martin, Staebler, Aye, 0 Nay).**

IV. Approval of the Minutes

**D. Blanchard moved to accept the minutes from June 20, 2008 with one change on p. 2; K. Martin seconded. Motion Approved, 6-0 (Blanchard, Konkol, Pontoni, Myers, Martin, Staebler, Aye, 0 Nay).**

V. Discussion Items

A. Cooperatives

J Hall gave a presentation on the legal structure, financing and affordability requirements of cooperatives in Ann Arbor. The Cooperatives have provided the single largest number of income-restricted rental housing units in the City compared to for-profit, non-profit and public housing. As each cooperative's HUD affordability period expires in the next 7 years, the cooperatives have an opportunity to call a vote of its members to change the legal structure off the cooperative and become market-rate housing. Colonial Square voted to become market rate in 2006. The Office of Community Development is working with Arrowwood and Pine Lake Cooperative to help them maintain income-restricted units. Arrowwood has formed a non-profit in order to purchase current unit shares that will always be affordable even if the Cooperative votes to change its legal structure. Pine Lake and Forest Hills have

requested a refinancing of their HUD loans, which will extend their HUD affordability requirements. Pine Lake previously requested assistance from the City for rehabilitation funds. The City would make rehab funds contingent on an extended affordability period.

**B. HOME RFP**

The HHSAB discussed changing the FY 09/10 HOME RFP priorities to reflect prioritizing preservation of existing income-restricted housing units and adding cooperatives as a priority. See attached document in track changes.

**D. Blanchard moved to adopt the attached policy changes; K. Martin seconded. Motion Approved, 6-0 (Blanchard, Konkell, Pontoni, Myers, Martin, Staebler, Aye, 0 Nay).**

**C. WAHC/Avalon merger**

MJ Callan announced that WAHC is exploring a merger with Avalon. WAHC owns 124 units and 80 of them were financed by the City (\$2.7 million) and the other 44 were financed by the County (\$600,000). Most of the units have federal funds with affordability restrictions still in place which would require the City/County to repay back those funds with general funds if the units do not continue to as affordable housing. City Council approved the sale of 11 units that do not have affordability restrictions so that the sales proceeds can be reinvested in Avalon/WAHC properties. The goal is to preserve as many units as possible without destabilizing Avalon.

During this transition, we need to consider how to deal with WAHC's daily staffing, maintenance, and financial needs; as well as Avalon's capacity to take on the ownership and management of these properties. The City is working with the other funders and a consultant to conduct an analysis of all of WAHC and Avalon's properties, staffing, property management, capital needs assessment, and finances. A resolution is going to Council in September requesting support for this transition. N. Staebler asked how much funding will be required? MJ Callan replied that it could be \$500,000 over the next year for operational support. Currently, the AAHTF is committed to Burton Commons. Council might approve general fund reserves to be paid back from future AAHTF.

M. Appel added that a capital needs assessment has already been conducted and significant reinvestment in the properties will be required to ensure that the units are fully occupied. Avalon has secured \$549,000 from MSHDA and has requested an additional \$240,000 that will help with transitional staffing costs as well as rehab. LISC, the Ann Arbor Community Foundation and the County have also been approached. D. Blanchard asked if there are funding sources for maintenance people? M. Appel responded that typically contracts for rehabilitation include funding for rehab staff. However maintenance staff are paid from the property management revenues. WAHC currently has 1 maintenance staff, because that is all they can afford. The lack of maintenance staff means that outside contractors were hired to turn units, taking a longer time at a higher cost – which led to longer vacancies and

less revenue. Once the units are fully rented up and they are caught up on deferred maintenance, the property revenue will support additional maintenance staff. Otherwise, the debt will need to be reduced by grants from other funders. Avalon is contracting with WAHC to manage the properties while they work through the legal issues.

S. Pontoni asked how did WAHC's situation get so bad? M. Appel responded that these projects were funded many years ago as a market model, with significant amounts of debt instead of grants. WAHC's rents needed to be high enough to pay debt and low enough to be affordable. The rents were not low enough to compete with market units in similar conditions. The market has changed over the years and in the beginning WAHC, Avalon and other non-profits structured their deals differently than today. CDBG funds used to be available for periodic rehabilitation. Now, rehab must be financed and completed at acquisition. J. Hall added that in addition the following policy changes have been implemented to prevent this from happening again: City loans were restructured to 0% interest with deferred repayment until the units were no longer affordable, the PILOT used to be 10% of rent and is now \$1/unit, rehab included an emphasis on energy efficiency improvements, and a built-in operating deficit reserve. In addition, non-profits are provided with a lot of technical assistance and pursue rent vouchers to increase the rents while still serving extremely low-income households. The situation is not dire, there is a lot of support from all of the funders and the properties can be saved over the next year or two.

#### D. Update on Former Y units

MJ Callan noted that the need to preserve the current units has an implication for funding for new units, including the Y replacement units. Council and Administration is still looking for an alternative downtown site before they vote on the HHSAB's recommendations.

#### E. Update on Supportive Services Funding

MJ Callan reported that the County created a Task force to create a sustainable revenue source for supportive services that will bring a recommendation to the Board of Commissioners in October. The recommendation will likely be bold such as a \$20 million endowment and millage to provide \$3 million/year for supportive services. The HHSAB will likely be engaged in the public campaign.

#### F. August Meeting

J. Hall reported that a nonprofit housing provider requested an opportunity to make a presentation to the HHSAB. Members discussed providing an opportunity for other nonprofits to make a presentation and what would be a fair way to determine since there was not time for all nonprofits to make a presentation. The group decided to start with the organizations that receive the most funding. D. Blanchard suggested that the HHSAB meet at nonprofit locations to feel more connected to the work that is supported and it is likely more consumers will show up at the places they are being served. Candace agreed to set up 6 site visits in September. The members decided to cancel the August meeting, which is traditional due to vacations.

VI. Public Comment  
No public comment

VII. Adjournment  
D. Blanchard moved to adjourn the meeting; K. Martin seconded. N. Staebler adjourned the meeting at 8:05 pm.