

# **ANN ARBOR AFFORDABLE HOUSING FUND GUIDELINES**

## **PREFACE**

*The Ann Arbor Affordable Housing Fund was first proposed in the City of Ann Arbor Housing Policy adopted by City Council in July, 1989. The Affordable Housing Fund guidelines were developed by the Community Development Department and approved by the Housing Policy Board in February, 1991 and by the Ann Arbor City Council in April, 1991. Since its inception, the Housing and Human Services Advisory Board (HHSAB) has recommended, and City Council has approved, a range of housing projects with the vast majority targeted for residents with the lowest incomes. In 2025, the Ann Arbor Housing Development Corporation (AAHDC) will take over the administrative role previously performed by the HHSAB and Washtenaw County Office of Community and Economic Development (OCED).*

## **STATEMENT OF PURPOSE**

The Ann Arbor Affordable Housing Fund ("the Affordable Housing Fund" or the "Fund") is established for the creation and preservation of long-term affordable housing for households with incomes at or below 60% of the City's Area Median Income (AMI) as defined by U.S. Department of Housing and Urban Development (HUD) or successor government department or agency that determines area median income. Further, the Fund is established to improve housing conditions for City of Ann Arbor residents, with priority given to those whose income is at or below 30% of the median household income.

It is the goal of the City to provide a full range of housing opportunities to all its residents. It is the intent of the City to administer the Fund in a flexible manner in order to best meet the housing needs of the City.

The Fund is established to provide financial support in the form of loans, grants or other forms of financial assistance to organizations or projects that create or preserve long term affordable housing.

## **ESTABLISHMENT OF FUND**

The Mayor and City Council established by resolution a special revenue account under the name "Ann Arbor Affordable Housing Fund" with revenues specifically dedicated to the Affordable Housing Fund by City Council, through donations, grants, developer contributions, and general fund allocations from public and private sources. It is the intention of the City Council that the Fund be a dedicated fund in perpetuity for the purposes established in this document. Principal and interest from loan repayments, proceeds from grant repayments, forfeitures, reimbursements, investments, and all other income generated from Fund activities will be deposited into the Fund. Funds repaid to the City from any of the above sources shall be administered subject to applicable federal, state and city requirements. All interest earnings from the account are reinvested and dedicated to the account. All appropriated funds in the Affordable Housing Fund are available for eligible program expenditures.

## **DISTRIBUTION AND USES OF FUNDS**

Funds in the Affordable Housing Fund must be used to meet the housing needs of individuals and families with incomes that do not exceed 60% of the Area Median Income, as defined by HUD, or a successor government department or agency that determines median income.

Eligible uses include acquisition, demolition, new construction, renovation, and related infrastructure to develop affordable housing. In addition, nonprofits may request funding for pre-development feasibility activities and technical assistance.

It is the City's intent that the terms of its loans and grants be established so that projects that set aside units for households at 30% AMI or less receive higher per unit funding and lower interest rates for loans than projects that do not set aside units for households at 30% AMI or less.

Minimum affordability period will vary by and within project type (see Terms and Conditions). Projects which commit to longer than the minimum affordability periods will receive more favorable consideration.

The City of Ann Arbor designates the Ann Arbor Housing Development Corporation, a nonprofit created by the Ann Arbor Housing Commission, as a primary source of recommendations for disbursements of the Fund. The AAHDC will periodically request from City Council an allocation from the Fund for a specified project or projects. The AAHDC will execute a grant agreement with the City related to the AAHDC's administration of each allocation from the Fund. Where possible, the AAHDC will combine available Affordable Housing Millage funds and available Affordable Housing Funds to maximize efficiency for affordable housing developer applications. The AAHDC will follow AAHDC procurement policies. Funding availability, application processes and awards will be published on the City's website at [www.a2gov.org/housingcommission](http://www.a2gov.org/housingcommission).

## **ELIGIBILITY REQUIREMENTS**

### **OPEN ROLLING APPLICATION FOR PROJECTS UP TO \$250,000**

The AAHDC will accept applications on a rolling basis from eligible entities interested in financial support from the Affordable Housing Fund. Applications for projects up to \$250,000 will be reviewed each quarter by the AAHDC. Applicants will be invited to present their projects at a designated AAHDC meeting, and board members will openly deliberate and make funding recommendations to City Council for final approval.

### **COMPETITIVE SEALED BID PROCESS FOR PROJECTS AND/OR FUNDING OVER \$250,000**

When the Fund balance exceeds \$250,000, the AAHDC will issue a public Request for Proposal within 6 months of funding availability. When feasible, RFPs will be timed to align with other affordable housing RFPs such as County HOME funds or MSHDA Low-Income Housing Tax Credits (LIHTC). Applicants will be invited to present their project at a designated AAHDC meeting and board members will openly deliberate and make funding recommendations to City Council for final approval. The AAHDC may utilize consultants to conduct an underwriting and subsidy layering analysis to ensure that projects are not over-subsidized.

Funding may be awarded to non-profit corporations, municipal corporations, for-profit corporations, companies, partnerships, or limited equity cooperatives.

Pre-development grants are available to non-profit affordable housing developers only and cannot exceed \$100,000 per project.

All projects must be decent, safe and sanitary and meet the Housing Quality Standards or similar standards as established by HUD and state and local laws. Affordable Housing Fund dollars can only be used for projects within the City limits.

Financial assistance shall not be awarded from the Affordable Housing Fund to any corporation, partnership, company, or cooperative in default to the City, per Section 14.3(e) of the City Charter or whose subject property is in violation of City Code. Consideration shall be given to projects which propose correction of outstanding Code violations.

## **TERMS AND CONDITIONS**

Affordable Housing Funds can be awarded in any form determined advisable by the AAHDC, subject to approval by the City and compliance with applicable local, state and federal laws and regulations, including but not limited to: low interest loans with terms determined by the "gap financing" needed to make the project feasible; a deferred loan which requires repayment under conditions defined for the project; or other types of financial assistance determined to be appropriate and necessary for the project. In general, the City, through the AAHDC, has flexibility in how to award funds, either as a grant or as a loan.

When funds from the Affordable Housing Fund are awarded for acquisition, construction, or rehabilitation, the owner must sign an enforceable affordability agreement and/or deed restriction relating to the long-term affordability of the unit. Annual income and rent reporting is also required.

The minimum required affordability period will vary based on the type of project and the restrictions on other funds also being used (e.g., use of the Affordable Housing Millage which requires an affordability term in perpetuity):

**New Construction projects:** 30 years

**Rehab projects:**

<b>Per Unit Subsidy</b>	<b>Affordability Term</b>
< \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
> \$40,000 per unit and/or refinancing of rental project	15 years

Repayments of loans to the City or AAHDC will be deposited into the Affordable Housing Fund and reused for other eligible projects.

## **ADMINISTRATION OF THE FUND**

The AAHDC board reviews applications and makes recommendations to City Council on the allocation of the Affordable Housing Fund. The number of members, tenure of office, duties, manner of calling meetings and other tasks of the AAHDC are stated in the Bylaws approved by the AAHDC.

The City Council makes final decisions on the allocation of all Affordable Housing funds recommended by the AAHDC. Applications will be processed on a quarterly basis with funding recommendations going on the next available AAHDC board meeting agenda. The Ann Arbor Housing Commission provides staff assistance to the AAHDC board. This includes: maintaining the financial and other records of disbursements from the Fund; seeking third-party underwriting review; assisting prospective applicants in the preparation of their applications/proposals; monitoring the use of the monies distributed to applicants to assure ongoing compliance with the purpose of the Fund and the conditions under which the monies were granted or loaned; administering loans; reporting periodically, but not less than every twelve (12) months to the City Council regarding the operation and activity of the Fund. The Fund will be tracked by the source of funds, to segregate funding sources that are eligible to pay for administrative costs and funding sources that are not eligible to pay for administrative costs. Costs directly associated with administering disbursements from the Fund may be reimbursed by the Fund using an eligible funding source where possible.

For a copy of the application form, contact:

The Ann Arbor Housing Commission by calling (734) 794-6720 or downloading the application from [www.a2gov.org/housingcommission](http://www.a2gov.org/housingcommission) or emailing: [housingcommission@a2gov.org](mailto:housingcommission@a2gov.org)

Adopted by Ann Arbor City Council on:

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