

Ann Arbor Housing Commission

AFFORDABLE HOUSING FUNDING REQUEST

The Ann Arbor Housing Commission (AAHC) is requesting up to \$500,000 from the DDA's Affordable Housing Fund to assist with the construction of 350 S 5th within the DDA district. This funding request is in alignment with the DDA's Affordable Housing Fund requirements of supporting the planning, development, and improvement of housing in the DDA district affordable to residents with incomes at or below 60% of AMI.

The AAHC is a governmental agency created by the City of Ann Arbor. Similar to the DDA, we have a board that is appointed by the Mayor and confirmed by City Council. AAHC staff are City employees, and the AAHC has an independent budget from the City. The AAHC is the largest administrator of affordable housing in the City of Ann Arbor and the County. The AAHC owns 626 apartments at 20 locations in the City of Ann Arbor. The AAHC also manages over 2,000 housing choice vouchers (also known as Section 8) that provide a rent subsidy to private landlords for low-income tenants. The AAHC's mission includes developing new affordable housing such as 350 S 5th.

350 S 5th is an innovative public-private partnership investment being pursued by joint-venture partners: the Ann Arbor Housing Development Corporation ("AAHDC"), a 501c3 created by the Ann Arbor Housing Commission, and Related Midwest ("Related"), one of the nation's largest housing developers. 350 S Fifth Ave (the "Project") is a proposed \$200+ million new construction, twenty-story, mixed-use building located in the heart of downtown Ann Arbor. The Project will transform a long-vacant, underutilized and property tax-exempt brownfield site into a vital residential community in the heart of downtown.

The Project contains approximately 329,242 GSF, in a 20-story building, and will feature 330 units that will be 100% targeted to low-income households. Residents will have access to state-of-the-art amenities such as a fitness center, community rooms, co-working spaces, and mail and package room. This mixed-use development will also have roughly 6,500 SF of ground-floor commercial space, for which the Partners are actively seeking a grocery tenant.

On the North-side of 350 S Fifth Ave's site plant is the Blake Transit Center, a major public transit station in downtown Ann Arbor. In collaboration with the AAATA and DDA, the Partners will be incorporating the redevelopment of the Blake Transit Center with 350 S Fifth Ave, including enhancements to the City of Ann Arbor's primary bus station, an additional bus lane and the complete reconstruction of Fourth Avenue on the block adjacent to the Project.

Located in the heart of Ann Arbor, the Project will feature 330 units containing a mix of one-bedroom and two-bedroom apartments with 100% of the units reserved as affordable for households with an income between 30% to 80% of the Area Median Income ("AMI") for the Ann Arbor Metropolitan Statistical Area¹. The income targeting is as follows: 33% @ 30% AMI; 17% @ 60% AMI; 17% @ 70% AMI; and 33% @ 80% AMI. The Project additionally includes a partnership with the AAATA to make improvements to the Blake Transit Center, an integral node for the regional and intercity bus services, including an additional bus lane on the affordable housing development site with a larger and

¹ In 2025, 80% AMI for a 1-person household is \$70,560 and a 2-person household is \$80,640; 30% AMI for a 1-person household is \$26,460 and a 2-person household is \$30,240

accessible platform for passengers loading and unloading, larger bus shelters & new amenities for users.

The development will meet Enterprise Green Standards or National Green Building Standards and will be an electric building with geothermal heating and cooling.

The Project has secured the support of the Michigan State Housing Development Authority (“MSHDA”) for a 4% low-income housing tax credit application, a \$100 million tax-exempt bond allocation (construction loan that converts to permanent financing), and \$8 million through MSHDA’s Gap Financing Program. The Michigan Economic Development Corporation (“MEDC”) has invited the project to apply for Transformational Brownfield funding. The Partners are also applying for a Federal Home Loan Bank grant. The Partners are anticipating a need for about \$40 million in local funding resources from various public partners, the bulk of which is anticipated to come from the City of Ann Arbor’s affordable housing millage to help finance the project. The partners are also in conversations with the Washtenaw County Brownfield Redevelopment Authority, EGLE, and the City’s Sustainability Department.

FUNDING SOURCES

LIHTC Equity:	\$85,692,000
ITC & 45L Equity:	\$5,120,000
GP Contribution:	\$100
Permanent First Mortgage:	\$46,415,000
Transformational Brownfield Leverage	\$8,727,000
Seller Note:	\$3,500,000
Local Funding:	\$40,000,000
MSHDA Gap Financing:	\$8,000,000
Deferred Developer Fee:	\$12,987,049
<u>Income from Operations (12 Months After Completion):</u>	<u>\$2,175,703</u>

<u>Total Perm Sources:</u>	\$212,616,852
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FUNDING USES

Land	\$6,600,000
Hard Construction	\$149,038,825
<u>Soft Costs (professional services, environmental, financing, reserves etc.)</u>	<u>\$56,978,027</u>

<u>Total Uses</u>	\$212,66,852
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The \$500,000 DDA request represents .23% of the total development costs, and .33% of the total hard construction costs. Any funding that the DDA contributes, will be included in the local funding sources line item above. The team anticipates closing on construction financing in the spring of 2026 and it will be a 2-year construction period, through 2028.

The cost to build the commercial space to a “white box” for a future tenant is ~\$2,500,000 or 1.2% of the total development costs.



Existing Conditions



North-facing View of Proposed Project



South-Facing View of Proposed Project

