



City of Ann Arbor

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Ann Arbor, MI 48104
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Legislation Details (With Text)

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Title:	Resolution to Appropriate Affordable Housing Funds and Execute a Grant Agreement with the Ann Arbor Housing Development Corporation to Develop an Affordable Housing Project at 350 S. Fifth Ave. (\$4,000,000.00) (8 Votes Required)				
Sponsors:					
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Attachments:	1. \$4M Grant Agreement City of Ann Arbor AAHDC 350 S 5th.pdf				

Date	Ver.	Action By	Action	Result
12/15/2025	1	City Council		

Resolution to Appropriate Affordable Housing Funds and Execute a Grant Agreement with the Ann Arbor Housing Development Corporation to Develop an Affordable Housing Project at 350 S. Fifth Ave. (\$4,000,000.00) **(8 Votes Required)**

This resolution is requested by the Ann Arbor Housing Commission (AAHC) to appropriate and grant \$4,000,000.00 from the Affordable Housing Fund to the Ann Arbor Housing Development Corporation (AAHDC) for the development of an affordable housing project at 350 S. Fifth Ave.

The AAHC, through its 501(c)(3), the AAHDC, is developing the previously City-owned parcel at 350 S. Fifth Ave. as affordable housing. When the AAHDC acquired the property from the City, a deed restriction was recorded to ensure that when the property was developed, it would include housing affordable to households at 60% AMI or less of an unspecified number because the design of the building was not final at the time. A new permanent restriction will be recorded through a modified deed or a restrictive covenant which will require the greater of 100 units or 40% of the units to be restricted to households at 60% AMI or less.

The AAHC selected Related Midwest through a Request for Proposal (RFP) process, as a co-developer. The project includes a 329,242 square foot 20-story mixed-use building that includes approximately 330 1 and 2-bedroom apartments with tenant community space and staff offices, and approximately 6,500 square feet of commercial space. All residential units will be affordable to households with incomes at or below 80% of Area Median Income (AMI) with an income average of no more than 60% AMI, as restricted by Low Income Housing Tax Credits (LIHTC) and the City's PILOT ordinance. At least 110 of the 330 units (33%) will be targeted at households earning less than 30% of the Area Median Income and will be directly supported by the Ann Arbor Housing Commission ("AAHC") through both project-based rental vouchers and supportive services.

The primary source of funding for affordable housing development is the Low-Income Housing Tax Credit (LIHTC) Program. LIHTC provides the owner with tax credits that can be claimed annually

over the course of ten years in exchange for a minimum of a 30-year commitment of affordability. In order to monetize the LIHTC for development of the project, AAHDC must form a limited partnership or limited liability company with an equity investor that will invest capital in exchange for the right to claim the future LIHTC.

The AAHDC will own the land and will execute a long-term ground lease with Fifth Avenue MI Limited Dividend Housing Association LLC; the limited liability company created for the improvements (buildings). The AAHDC formed a single-asset entity called AAHDC Fifth Avenue LLC that will be the co-managing member of Fifth Avenue MI Limited Dividend Housing Association LLC with LR Development Company LLC (d/b/a Related Midwest) or an affiliate. The equity investor has not yet been selected.

The current estimated sources and uses (in application process) are:

SOURCES

\$85,692,000	LIHTC Equity (Low Income Housing Tax Credits)
\$5,120,000	ITC Equity (Geothermal Tax Credits)
\$46,415,000	MSHDA Mortgage Note A
\$8,727,000	MSHDA Mortgage Note B (Transformational Brownfield)
\$8,000,000	MSHDA Mortgage Note C (Federal HOME Loan)
\$35,000,000	City of Ann Arbor Bond (Affordable Housing Millage)
\$4,000,000	City of Ann Arbor Affordable Housing Fund
\$500,000	Ann Arbor DDA Affordable Housing Fund
\$957,087	DTE Rebates
\$3,042,913	AAHDC
\$12,987,049	Deferred Developer Fee
\$2,175,703	Net Operating Income Prior to Loan Conversion
<u>\$100</u>	<u>General Partner Contribution</u>
\$212,616,852	

USES

\$6,600,000	Land
\$149,038,825	Hard Construction Costs
<u>\$56,978,027</u>	<u>**Soft Costs</u>
\$212,616,852	

** Soft costs include financing fees, reserves, furnishings, legal, insurance, permit fees, environmental, title fees, utility fees, appraisal, cost certification, architect, engineer, developer fee, survey, construction loan interest, retail lease expenses etc.

The maximum total local millage funding combined with this \$4,000,000 Affordable Housing Fund request will not exceed 21% of the total development costs. The development team is applying for other funding sources, and if those funding sources are secured, it will reduce the bond-financed millage and the AAHDC contributions. The total number of units available to households at 60% AMI or less will be 100 units or 40% of all of the apartments, whichever is larger. Consequently, the percent of local funding restricted to households at 60% AMI or less is a much smaller percentage of the total development sources than the percent of apartments restricted to 60% AMI or less.

The AAHC will be bringing several additional resolutions to City Council to a future meeting, related to the request to sell bonds paid back with the affordable housing millage and for the transformational brownfield application. The goal is to secure as many sources as possible to minimize the City's bond backed by the affordable housing millage.

The project is expected to start construction in the spring of 2026 and construction will continue through 2028.

Budget/Fiscal Impact: Funding is available in the fund balance of the Affordable Housing Fund. It is requested the \$4,000,000.00 be appropriated from the fund balance to the FY 2026 Affordable Housing Fund expenditure budget.

Prepared By: Jennifer Hall, Executive Director, Ann Arbor Housing Commission

Reviewed By: Christopher Frost, Senior Assistant City Attorney

Michelle Landis, Senior Assistant City Attorney

Approved By: Milton Dohoney Jr., City Administrator

Whereas, The Ann Arbor Housing Commission, through its 501(c)(3), the Ann Arbor Housing Development Corporation, is co-developing the previously City-owned property at 350 S. Fifth Avenue with Related Midwest;

Whereas, The apartments will be rent- and income-restricted to households with incomes at or below 80% of Area Median Income (AMI) with an income average of no more than 60% AMI including 33% of the apartments affordable to households at 30% AMI;

Whereas, The development's capital stack includes a variety of federal, state and local fundings sources and the development needs to fill the final gap in financing with local funding sources; and

Whereas, Funding is available in the fund balance of the Affordable Housing Fund;

RESOLVED, That City Council approves a grant and grant agreement with the Ann Arbor Housing Development Corporation for the development of affordable housing at 350 S. Fifth Avenue in the amount of \$4,000,000.00;

RESOLVED, That the Mayor and City Clerk are authorized and directed to sign the grant agreement after approval by the City Administrator and City Attorney;

RESOLVED, That City Council appropriates \$4,000,000.00 from the Affordable Housing Fund fund balance to the FY 2026 Ann Arbor Housing Commission expenditure budget in the Affordable Housing Fund;

RESOLVED, That all amounts herein are without regard to fiscal year;

RESOLVED, That City Council approves a new permanent restriction through a modified deed or a restrictive covenant which will require the greater of 100 units or 40% of the units to be restricted to households at 60% AMI or less; and

RESOLVED, That the City Administrator is authorized to take all appropriate actions to implement this resolution and the grant agreement, including the exercise of all determinations and authority delegated to the City under the grant agreement and the execution and management of ancillary documents, instruments, and agreements.

