



TO: Mayor and Council

FROM: Milton Dohoney Jr., City Administrator
Marti Praschan, CFO

SUBJECT: Potential Bonding of Housing Commission Millage

DATE: December 1, 2023

City Council passed Resolution [R-23-191](#), directing that the administration investigate the feasibility of the City issuing bonds that leverage the affordable housing millage to finance affordable housing. Staff and the City Attorney's Office engaged with outside bond counsel from the firm of Miller Canfield to help analyze the issue. We received a privileged memorandum that will be sent to City Council by the City Attorney. However, as a general matter, it is not possible to issue a categorical "yes" for all instances. In a discussion of this nature, details matter. Bond transactions are not simple and require a lot of diligence as they are being structured. The most appropriate way to conceptualize it includes the following:

- Each transaction must be evaluated separately and will rise or fall based on set criteria.
- Each potential transaction must be tied to a specific construction project that has already gone through sufficient rigor to determine if it can actually be built.
- A successful bond issuance will obligate a portion of the millage for the remaining term of the approved millage life, currently 18 years. It could also obligate the revenue coming from the project.
- The proposed construction project must actually be built within a defined timeframe.
- Each transaction must go through an IRS rules review to determine whether it is a taxable or tax-exempt deal.

To structure a single bond transaction requires a considerable investment of staff time. Therefore, it's not only a matter of whether the Housing Commission has sufficient financial

resources to commit, but also do they have the staff capacity necessary to drive the process. If it were theoretically desirable for City of Ann Arbor staff to perform this function on behalf of the Housing Commission the capacity question would again need to be addressed. That is especially pertinent if the intent was to do multiple projects simultaneously using this type of financing.

As the question of bond financing has been explored there has also been discussion of whether it mattered if the project was being built upon City-owned land as opposed to an AAHC/AAHDC development. Staff is unaware of any categorical reason that would preclude such a transaction from being structured for a project to be built on property owned by the AAHC or AAHDC. However, as with any transaction, it would be subject to the same level of due diligence to determine if what was being proposed could actually be done.

One important detail to note is that the housing millage is subject to voter approved renewals. It is not feasible to bake an election contingency into the transaction. Therefore, the millage could not be pledged beyond the life of a current renewal.

Given the necessity of a coordinated approach, staff is envisioning a common beginning for every potential opportunity.

- What is the project?
- Do we have site control?
- Why are we considering bonding to get it done?
- Is the development team in place?
- Would other entities of government need to sign off on the transaction?

The final point to make here is that these transactions require a long runway. The planning effort to do a single project must have a well-coordinated, and collaborative team to impact a successful outcome.