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**Title:** Resolution to Appropriate an Additional \$233,000.00 and Approve the Allocation of \$313,000.00 in Ann Arbor Housing Trust Funds for Three Permanent Housing Projects (8 Votes Required)

**Sponsors:** Sandi Smith

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Resolution to Appropriate an Additional \$233,000.00 and Approve the Allocation of \$313,000.00 in Ann Arbor Housing Trust Funds for Three Permanent Housing Projects **(8 Votes Required)**

The Housing and Human Services Advisory Board is requesting approval for the following allocations from the Ann Arbor Housing Trust Fund:

- \$138,000.00 for the Ann Arbor Housing Commission to assist the organization implement the findings of an operational needs assessment, thus improving public housing for Ann Arbor residents;
- \$50,000.00 for Avalon Housing to support the organization in its merger activities with the Washtenaw Affordable Housing Corporation, thus preserving 70 permanently affordable housing units within the City of Ann Arbor; and
- \$75,000.00 for Michigan State University Extension, \$20,000.00 for Housing Bureau for Seniors, and \$30,000.00 for Legal Services of South Central Michigan to enable these organizations to assist Ann Arbor residents who are in danger of losing their home to tax or mortgage foreclosure.

**Background**

Ann Arbor Housing Commission

In June, 2009, the City partnered with the Ann Arbor Housing Commission (AAHC) to retain a consultant to conduct an operating needs assessment with the goal of strengthening the Commission’s future sustainability and viability. Areas examined included analyzing operations, assessing staff, evaluating the effectiveness of the governing board, reviewing the Commission’s relationship to the City, and developing a five year strategic plan.

The operating needs assessment recommended several actions for the Commission to take in order to improve and strengthen the structure, performance, and sustainability of the organization. One such action is enhancing the staffing and compensation structure so that it is more commensurate with the volume, scope, and highly-regulated nature of the Commission's work. An additional critical action is to pursue alternative revenue sources, so that the Commission can move away from its over-reliance on the HUD Public Housing stream of funding.

The full implementation of these recommendations is estimated to take approximately two years, during which time the Commission is facing an annual shortfall of \$138,000. The Housing and Human Services Advisory Board is recommending that AAHTF funding be utilized to fill the Commission's funding gap for FY 2011, which will enable the Commission to apply for funding from additional sources to cover the funding gap in future years.

#### Avalon Housing

In 2008, the Office of Community Development, and the Michigan State Housing Development Authority, and Corporate Facts completed a property and operating assessment of WAHC. The assessment indicated that WAHC lacked the organizational resources or capacity to continue to manage or maintain its 114 units of affordable housing. Avalon Housing was approached to play the lead role in helping to preserve these units.

With a focus on both the immediate needs of tenants and the properties, and the long-term preservation of the units, a work plan was developed for 2008 and 2009. This plan included the identification of resources to support these activities. Avalon has made significant progress, especially in terms of improving the experience, safety, and stability of residents in WAHC-owned properties. Avalon has also made significant progress toward rehabilitation of WAHC's three multi-family properties, and it is anticipated that Avalon will refinance and take ownership of 701 Miller by the fall of 2010.

Unfortunately, the recent economic conditions have made development of the other two sites very challenging. The Michigan State Housing Development Authority (MSHDA), which was a key partner in the commencement of this merger, has taken increasingly conservative underwriting standards and is unwilling to invest in projects that they previously would have funded. The result is that the redevelopment and transfer of WAHC assets by mid-2010 has been pushed well beyond its original timeframe. The work necessary to resolve the future of these properties will likely continue through 2011.

As this process has unfolded, Avalon Housing has dedicated more staff time and resources to this effort than anticipated, and has had to forego most new development projects and their resulting developer fees.

Avalon Housing is requesting \$50,000.00 to support the continuation of its effort to preserve WAHC's units as affordable housing, and maintain safety and quality services for current tenants. The Housing and Human Services Advisory Board is recommending that AAHTF funding be utilized to fund this request.

#### Foreclosure Prevention Initiative

Foreclosures continue to be a significant problem locally, and Michigan continues to have one of the highest foreclosure rates in the nation. Fannie Mae has written off a greater volume of loans in Michigan than any other state. As homes are vacated and people move out of state, the housing

values drop. The tax impact on local municipalities is significant. Michigan communities that have studied the impact of mortgage foreclosure have found that each foreclosed home costs \$22,000.00 to \$258,000.00 to the community. A foreclosed home costs the homeowner, the lien holder, the municipality's tax collections and the neighborhood housing values. They have also shown that it only costs \$670.00 to \$1,435.00 to save a home through mortgage foreclosure programs, like the one in Washtenaw County. Unfortunately, not all homeowners are in a position to stay in their home and the foreclosure collaborative works with these homeowners to mitigate their losses and move into a more affordable housing situation.

This program provides a comprehensive response to the mortgage and tax foreclosure problem, and compliments the City's utility shut-off grants and payment plans, poverty tax exemptions, annexation fee waivers, and homeowner loans for sidewalk repairs and housing rehabilitation.

The Foreclosure Taskforce members provide education, counseling, advocacy, legal services and emergency loan services. The community need is overwhelming the capacity of the agencies providing assistance. In FY 2009, the County Treasurer, Legal Services, MSU Extension and the Housing Bureau for Seniors served over 1,400 clients. In FY 2009, the County Treasurer provided services to 608 clients (95 in Ann Arbor), 474 clients developed action plans, 154 clients were referred to other services, and 179 clients completed a loss mitigation case, 114 of which were curable through the Treasurer's office. MSU Extension provided services to 567 clients (198 in Ann Arbor), 307 developed sustainable action plans, 221 were referred to other services and 73 were able to stay in their homes. Legal Services provided services to 107 clients (24 in Ann Arbor), 57 of whom maintained their housing. The Housing Bureau for Seniors provided services to 681 clients (93 in Ann Arbor) and 105 achieved housing stability. The City's contribution of \$160,000.00 in FY 2009 served 410 mortgage and tax foreclosure clients for a cost of an average of \$390.00/household.

## Considerations

Given the importance and time-critical nature of the three projects described above, the HHSAB is recommending approval of additional funding in FY 2011 funding from the Affordable Housing Trust Fund for the Ann Arbor Housing Commission, Avalon Housing, and the Foreclosure Prevention Initiative.

The HHSAB understands that, if approved, the funding of these projects will create an unallocated fund balance of only \$90,000.00 as of June 30, 2011. Given the City's commitment to creating and maintaining affordable housing, and the growing need in our community, this fund balance is below what is needed. Indeed, the affordable housing that each of the three projects seeks to preserve will almost certainly continue to need community support in FY 2012 and subsequent years.

Included in the creation of the Ann Arbor Housing Trust Fund in 1999 was a commitment from City Council to make annual contributions to the fund. Since 2002, Council has allocated \$100,000.00/year to the AAHTF. These annual contributions have been critical to enabling the fund to provide support and investment in the creation or maintenance of 399 units of affordable housing, and prevent hundreds of City residents from losing their homes to foreclosure.

Given the continuing negative impacts the economy is having on City residents, the fulfillment of this commitment is more important than ever. The HHSAB is deeply concerned that the Administrator's FY 2011 budget calls for the complete elimination of this contribution. This 100% cut, combined with the proposed 20% cut to human services, will substantially weaken the safety net of support services

and safe, affordable housing for City residents facing unprecedented challenges.

These cuts are disproportionate to those being proposed within the General Fund as a whole. The HHSAB urges City Council to continue support for these important activities at current levels, or at reduced levels commensurate with the reductions within the General Fund as a whole.

Sponsored by: Councilmember Sandi Smith, Housing and Human Services Advisory Board (Edward Staebler, David Blanchard, Ingrid Ault, Barbara Eichmuller, Anna Erickson, Robyn Konkell, Soni Mithani, Kristine Martin Profit, Stephen Pontoni, Anthony Ramirez,)

Prepared by: Mary Jo Callan, Community Development Director

Reviewed by: Sumedh Bahl, Interim Community Services Area Administrator

Whereas, The Ann Arbor Housing Trust Fund was created to support permanent housing projects for low-income residents of Ann Arbor;

Whereas, The Ann Arbor Housing Commission has developed a plan for organizational improvements which will result in an improvement of affordable permanent public housing for Ann Arbor residents;

Whereas, Avalon Housing is continuing merger activities with the Washtenaw Affordable Housing Corporation to preserve 70 permanently affordable housing units within the City of Ann Arbor, and these activities are taking longer than planned due to the negative economic climate and its impact on housing development;

Whereas, The Foreclosure Prevention Initiative is providing vital legal services and housing counseling to assist Ann Arbor residents who are in danger of losing their home to tax or mortgage foreclosure;

Whereas, These are all important and time-critical projects and therefore, the HHSAB is recommending approval of an appropriation increase of \$233,000.00 without regard to fiscal year and allocation of \$313,000.00 from the Affordable Housing Trust Fund, \$60,000.00 for Mortgage Foreclosure programs, and \$20,000.00 for the Housing Commission is already included in the Administrator's Budget Proposal for FY 2011;

Whereas, The allocation of these funds will create an unallocated fund balance of only \$90,000.00 as of June 30, 2011, far below what is needed to support affordable housing in this difficult economic climate;

Whereas, Since 2002 Council has allocated \$100,000.00/year to the AAHTF, and these annual contributions have been critical to enabling the fund to provide support and investment in the creation or maintenance of 399 units of affordable housing, and prevent hundreds of City residents from losing their homes to foreclosure;

Whereas, The HHSAB is deeply concerned that the Administrator's FY 2011 budget calls for the complete elimination of this contribution, and this 100% cut, combined with the proposed 20% cut to human services will substantially weaken the safety net of support services and safe, affordable housing for City residents facing unprecedented challenges;

Whereas, These cuts are disproportionate to those being proposed within the General Fund as a whole, and the HHSAB urges City Council to continue support for these important activities at current levels, or at reduced levels commensurate with the reductions within the General Fund as a whole;

and

Whereas, One of the City's six goals is to work collaboratively to deliver affordable housing opportunities and access to supportive services.

RESOLVED, That the Mayor and City Council approve \$138,000.00 for the Ann Arbor Housing Commission to assist the organization to implement the findings of an operational needs assessment, thus improving public housing for Ann Arbor residents, \$50,000.00 for Avalon Housing to support the organization in its merger activities with the Washtenaw Affordable Housing Corporation, thus preserving 70 permanently affordable housing units within the City of Ann Arbor, and \$75,000.00 for Michigan State University Extension, \$20,000.00 for Housing Bureau for Seniors, and \$30,000.00 for Legal Services of South Central Michigan to enable these organizations to assist Ann Arbor residents who are in danger of losing their home to tax or mortgage foreclosure;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute a contract with each organization after approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution; and

RESOLVED, That the Mayor and City Council thoroughly consider the unprecedented and increased need for housing and support to low-income residents before approving disproportionate cuts to the Ann Arbor Housing Trust Fund and Human Services as proposed in the Administrator's FY 2011 Budget.