



Legislation Details (With Text)

File #:	08-0652	Version:	1	Name:	07/07/08 Resolution to Allocate \$65,851 in HOME Funds to William Street Apartments LDHA LP for the Refinance and Rehabilitation of 201 W. William and to Approve the Housing Affordability Agreement (\$65,851 HOME Funds)
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Title:	Resolution to Allocate \$65,851.00 in HOME Funds to William Street Apartments LDHA LP for the Refinance and Rehabilitation of 201 W. William and to Approve the Housing Affordability Agreement (\$65,851.00 HOME Funds)				

Sponsors:

Indexes:

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Attachments:

Date	Ver.	Action By	Action	Result
7/7/2008	1	City Council	Approved	Pass

Resolution to Allocate \$65,851.00 in HOME Funds to William Street Apartments LDHA LP for the Refinance and Rehabilitation of 201 W. William and to Approve the Housing Affordability Agreement (\$65,851.00 HOME Funds)

Attached for your review and approval is a resolution to allocate \$65,851 in HOME Funds to William Street Apartments LDHA LP, an affiliated entity of Avalon Nonprofit Housing Corporation to refinance and rehabilitate 6 units of permanent affordable housing for very low-income individuals. The total budget is \$280,851. The request for City funds constitutes 23% of the total project costs. William Street Apartments has secured \$65,000 from the Michigan State Housing Development Authority (MSHDA), \$60,000 from the Federal Home Loan Bank and \$90,000 from the City of Ann Arbor DDA.

William Street Apartments LDHA LP will own the property, Avalon Housing will manage the property and Catholic Social Services will provide supportive services. As the property managers, Avalon will screen the tenants. Avalon acquired the property in 1992 through an affiliated entity, William Street Apartments LP. The property was originally financed with low-income housing tax-credits. The tax-credit compliance period has expired and Avalon is restructuring the ownership and purchasing the property from the original partners.

The appraised value of the property is \$472,000. The total debt on the property will be \$190,851. The City will be in 3rd lien position behind the Federal Home Loan Bank and MSHDA.

The project is consistent with the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness. The targeted tenants are extremely low income and are considered a special needs population. The City Attorney's office will review the legal and contractual documents to ensure that William Street Apartments LDHA LP will comply with the requirements in the HOME regulations. It

will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations as part of their annual HOME Program monitoring.

Consistent with HOME Program requirements, a mortgage and affordable housing covenant will be placed on the property to preserve the affordability of these units. The project will be ineligible for additional HOME funds for a minimum of 10 years as required by the HOME program regulations. The City's affordability period will be 99-years, consistent with previous projects.

Based on an underwriting analysis by the Office of Community Development, it was determined that the project could not support debt service on the City funds. Consequently, Avalon is requesting a 0% interest, deferred loan.

The Housing Policy Board (HPB), at its meeting on December 15, 2006, reviewed the Avalon request and recommended approval of a 99-year, 0% interest, deferred loan, contingent on Avalon securing financing. The HPB did not approve a funding amount, which was to be determined after the Office of Community Development performed the necessary financial underwriting and due diligence.

Effective June 1, 2008, the HOME budget reflects \$264,044 in uncommitted and available funds.

The Office of Community Development recommends City Council approve the \$65,851 HOME loan as a 0% interest, 99-year term, deferred payment loan, with repayment upon sale or transfer of the property. The loan will be repaid after 99 years unless City Council agrees to an extension. The Office of Community Development also recommends that the City include a right of first purchase and an equity-sharing clause allowing Avalon to retain 77% of the equity after paying off all liens, and allowing the City to retain 23% of the equity.

William Street Apartments LDHA LP received Human Rights and Living Wage approval in May 2008.

Prepared by: Jennifer Hall, Housing Program Coordinator

Reviewed by: Mary Jo Callan, Community Development Director

Damon Thompson, Acting Community Services Administrator

Whereas, An application was received in November 2006 from William Street Apartments LDHA LP, an affiliated entity of Avalon Housing, Inc., for financial assistance to refinance and rehabilitate 6 units of permanent supportive housing;

Whereas, Of the total estimated project cost of \$280,851.00 William Street Apartments LDHA LP will be leveraging \$65,000.00 from the Michigan State Housing Development Authority (MSHDA), \$60,000.00 from the Federal Home Loan Bank and \$90,000.00 from the City of Ann Arbor DDA; and

Whereas, This project will provide housing and supportive services to very low-income individuals, which is a high need in the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness;

RESOLVED, That City Council approve the allocation of \$65,851.00 of HOME Funds to William Street Apartments LDHA LP for the refinance and rehabilitation of 6 units of affordable housing at 201 W. William, contingent upon environmental review, as a 0% interest, deferred payment, 99-year loan to be repaid if the property is transferred or the use changes from low-income residential within the term of the loan and further, to be extended at the discretion of Council at the term end;

RESOLVED, That City Council approve a right of first purchase clause by the City and an equity-

sharing clause allowing Avalon to retain 77% of the equity after paying off all liens, and allowing the City to retain 23% of the equity as a condition of the loan;

RESOLVED, That as a condition of loan disbursement, William Street Apartments LDHA LP will execute a mortgage and promissory note consistent with this Resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the Mayor and City Clerk are hereby authorized and directed to sign an Affordable Housing Covenant consistent with this Resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

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