



Legislation Text

File #: 08-0091, **Version:** 1

Resolution to Allocate \$224,000.00 in HOME Funds to Avalon Housing Inc. for the Rehabilitation of 211 E. Davis and to Approve the Housing Affordability Agreement (\$224,000.00 HOME Funds) Attached for your review and approval is a resolution to allocate \$224,000.00 in HOME Funds to Avalon Housing Inc. to rehabilitate 14 units of permanent affordable housing. The City previously invested in 211 E. Davis at the time of acquisition in 1993. The project needs extensive rehabilitation in the amount of \$157,000.00. The total budget is \$224,000.00 including refinancing of private debt. The property was appraised at \$440,000.00 in 1993 and \$762,000.00 in 2007. The City will have second lien position behind the Federal Home Loan Bank's \$95,000.00 lien.

Avalon will own and manage the property and Catholic Social Services will provide supportive services. As the property managers, Avalon will screen the tenants. The current tenant income averages 16% of Area Median Income. Seven tenants were homeless before moving into the units.

The project is consistent with the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness. The Consolidated Plan recommends refinancing and rehabilitating existing projects that serve extremely low-income tenants. The City Attorney's office will review the legal and contractual documents to ensure that Avalon 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 and Human Services Advisory Board (HHSAB), at its meeting on November 13, 2007, reviewed the Avalon request and recommended approval of a 99-year, 0% interest, deferred loan. The HPB did not approve a funding amount, which was to be determined after the Office of Community Development reviewed and approved the rehabilitation specs.

Typically the rehabilitation specs are bid out to get an exact cost before the OCD requests Council approval for the contract. This request is going to Council based on the OCD's internal cost estimate plus a 15% contingency because Avalon needs an emergency boiler replacement which will be paid out of these funds. If the winning bid is significantly higher than the internal estimate, the OCD may bring back a budget amendment to cover the gap.

Effective Feb 5, 2008, the HOME budget reflects \$640,044 in uncommitted and available funds.

The Office of Community Development recommends City Council approve the \$224,000.00 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 forgiven after 99 years. 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 25% of the equity after paying off all liens, and allowing the City to retain 75% of the equity.

Avalon Housing Inc. received Human Rights and Living Wage approval on July 1, 2007.

Prepared by: Jennifer Hall, Housing Program Coordinator

Reviewed by: Mary Jo Callan, Community Development Director

Jayne Miller, Community Services Administrator

Whereas, An application was received in October 2007 from Avalon Housing, Inc., for financial assistance to refinance and rehabilitate 14 units of permanent supportive housing for extremely low-income individuals;

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

Whereas, Human Rights and Living Wage approval for Avalon Housing, Inc. was received July 1, 2007;

RESOLVED, That City Council approve the allocation of \$224,000.00 of HOME Funds to Avalon Housing Inc. for the refinancing and rehabilitation of 14 units of affordable housing at 211 E Davis, 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 forgiven 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 25% of the equity after paying off all liens, and allowing the City to retain 75% of the equity as a condition of the loan;

RESOLVED, That as a condition of loan disbursement, Avalon Housing Inc. 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 be hereby authorized and directed to sign an Housing Affordability Agreement 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, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.