



Legislation Text

File #: 23-1020, **Version:** 1

Resolution to Approve the Ann Arbor Affordable Housing Millage Fund Grant Agreement Between the City of Ann Arbor, the Ann Arbor Housing Commission, and the Ann Arbor Housing Development Corporation

Attached for consideration is a resolution authorizing execution of the Ann Arbor Affordable Housing Millage Fund Grant Agreement Between the City of Ann Arbor, the Ann Arbor Housing Commission (AAHC), and the Ann Arbor Housing Development Corporation (AAHDC), a Michigan non-profit corporation, whose sole member is the AAHC (the "Grant Agreement").

On November 3, 2020, the voters of the City approved a millage to annually levy a tax of up to one mill on all taxable real and personal property in the City for the purpose of building, maintaining, and acquiring new affordable housing units ("Millage"). Revenues and expenditures from the Millage were included in the FY22, F23, and FY24 budgets as adopted by the City, within the AAHC's budget line item. The Millage has generated approximately \$6.3 million to \$7.2 million per year for each fiscal year. In FY22, FY23 and FY24, the AAHC proposed a budget to the City Administrator and City Council that included expenditures for staffing costs, IT costs, affordable housing expenditures and affordable housing services expenditures. FY24 also included a municipal service charge.

The proposed Grant Agreement would change administration of the Millage to reduce duplicative processes, while maintaining accountability. The Grant Agreement grants revenue from the Millage to the AAHDC and outlines the roles and responsibilities of administration of the Millage, including compliance with the City's charter language below:

SECTION 8.25. In addition to any other amount which the City is authorized to raise by general tax upon real and personal property by this Charter or any other provision of law, the City shall, in 2021 through 2041, annually levy a tax of up to one mill on all taxable real and personal property situated within the City for the purpose of building, maintaining, and acquiring new affordable housing units which are permanently affordable to low-income households making no income up to 60% of area median income and providing social services, not to exceed 20% of the millage revenues over the entire term of the millage, for the residents of such housing. No money collected pursuant to this millage shall be spent on building, maintaining, or acquiring new units located in the floodplain or floodway.

The AAHC will continue to work with the City's finance staff to propose an annual budget to the City Administrator and City Council. The AAHDC will continue to procure goods and services for each affordable housing project, execute contracts with vendors, and oversee development of affordable housing projects in the City. The AAHDC will continue to process invoices and pay vendors. However, instead of getting reimbursed by the City for expenditures, the AAHDC will pay invoices directly from the Millage revenue. This new process will remove duplicative invoice processing by the City and the AAHDC. In addition, the current process sometimes requires the AAHDC to pay for hundreds of thousands of dollars in advance, which is challenging for the AAHDC as a non-profit organization with limited resources.

The City will continue to directly pay for three full-time AAHC employees from the Millage as well as pay for other AAHC staff who work part-time on Millage-related projects, based on hours reported on their timesheets. The City will continue to directly pay for IT charges, three full-time employees, and an annual municipal service charge.

The AAHDC financials will continue to be included in the AAHC audit, which will continue to be provided to the City for its audit. The City may request detailed financial reporting from the AAHC related to the Millage at any time.

The City will make an annual grant payment to the AAHDC from the Millage, subject to annual appropriations. The City will control the amount of the annual grant of Millage funds each year. City finance staff will work with AAHC finance staff to annually reconcile the financials. Grant funds which are unobligated and uncommitted during the fiscal year for which they are appropriated, will be returned to the City at the close of the fiscal year. These unused Grant funds may be added to the available Grant for the subsequent year, at the City's discretion. The Commission's annual budget will include a report on the previous year's allocations that are committed but unspent. The development process can take five to seven years from concept to occupancy and the AAHDC will have long-term contractual commitments that overlap fiscal years. The concurrent duration of the Grant Agreement with the length of the Millage provides the AAHDC and its contractors assurance that contractual commitments will be honored regardless of fiscal year.

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

Reviewed by: Marti Praschan, Chief Financial Officer

Approved by: Milton Dohoney Jr., City Administrator

On November 3, 2020, the voters of the City approved a millage to annually levy a tax of up to one mill on all taxable real and personal property in the City for the purpose of building, maintaining, and acquiring new affordable housing units ("Millage");

Whereas, Since FY22, the Ann Arbor Housing Commission (AAHC) has been administering the City's Affordable Housing Millage through the Ann Arbor Housing Development Corporation (AAHDC), a Michigan non-profit corporation whose sole member is the AAHC;

Whereas, The current process is inefficient and duplicative, requiring the AAHDC to pay for goods and services to develop affordable housing, then submit invoices with back-up

documentation, and for the City to open and administer purchase orders and reimburse the AAHDC for individual expenses;

Whereas, The current process sometimes requires the AAHDC to pay hundreds of thousands of dollars in advance for services and goods, which is challenging for the AAHDC as a non-profit organization with limited resources;

Whereas, The proposed Grant Agreement will grant the Millage to the AAHDC, based on an annual appropriation by the City, enabling the AAHDC to use the Millage grant funds to directly pay invoices for goods and services to develop affordable housing;

RESOLVED, That the City Council approve the Ann Arbor Affordable Housing Millage Fund Grant Agreement Between the City of Ann Arbor, the Ann Arbor Housing Commission, and the Ann Arbor

Housing Development Corporation (“Grant Agreement”);

RESOLVED, That the City Council approve the annual expenditure of Affordable Housing Millage grant funds by the AAHDC, in an amount as determined through the annual budget process, subject to the annual appropriation of funds;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute the Grant Agreement, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney; and

RESOLVED, That the City Administrator be authorized to take any necessary action to implement this resolution.