



## Legislation Text

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File #: 11-0009, Version: 2

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Resolution to Appropriate and Allocate \$60,166.00 in HOME Funds to Avalon Housing Inc. or an Affiliated Ownership Entity for the Acquisition and Rehabilitation of 701 Miller (\$60,166.00 HOME Funds) **(8 Votes Required)**

Attached for your review and approval is a resolution to appropriate and allocate \$60,166 in HOME Funds to Avalon Housing Inc. or an affiliated ownership entity to acquire and rehabilitate 23 units of permanent affordable housing for low-income tenants. The \$60,166.00 in HOME funds is program income received in January, 2011 from loan repayments from two other projects. The total budget for 701 Miller is approximately \$2,749,496.00. Avalon has secured \$374,378.00 in City NSP funds (R-9-481 and R-10-279), \$1,100,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Downtown Development Authority, \$230,000.00 from the Federal Home Loan Bank (FHLB), through the Bank of Ann Arbor or other local bank, and \$485,581.00 from Washtenaw County. Avalon will also be assuming a \$507,000 HOME loan that is currently on the property (R-10-188).

Avalon currently manages the property for Washtenaw Affordable Housing Corporation (WAHC). Avalon will purchase and manage the property and they will either provide support services or contract with another agency for supportive services. As the property managers, Avalon will screen and income-qualify the tenants.

The targeted tenants are very low income and some are considered a special needs population and will receive supportive services to assist them to maintain their housing. The units will be occupied by households at 50% AMI or less, which is the current income limit for the existing tenants. The project will include 4 project based vouchers for special needs tenants. The City Attorney's office will review the legal and contractual documents to ensure that Avalon will comply with 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 program monitoring.

Consistent with HOME Program requirements, a mortgage and Housing Affordability Agreement will be placed on the property to preserve the affordability of these units. The City's affordability period will be 30-years. The closing will be a 2-part closing with the City of Ann Arbor and Washtenaw County closing first, and the FHLB and MSHDA closing at a later date. The lien positions for all of these loans have not been finalized by the funders and therefore, the Office of Community Development is requesting that City Council grant the City Attorney and City Administrator the authority to negotiate an intercreditor agreement or subordination agreement with the other lenders to establish lien priority. Typically in affordable housing transactions, private lenders are given first lien position and public lenders are given a shared lien position behind the private lender, or the funder with the largest lien is given priority over funders with smaller liens. The DDA is providing grant assistance and will not have a lien on the property.

The Office of Community Development recommends that City Council approve the \$60,166.00 HOME loan as a 0% interest, 30-year deferred payment loan, with repayment upon sale or transfer of

the property. If the property remains a rental property for 30 years, then the lien will be forgiven.

Avalon Housing Inc. received Human Rights and Living Wage approval in September, 2010.

Prepared by: Jennifer Hall, Community Development Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director

Sumedh Bahl, Community Services Administrator

Whereas, An application was received in January, 2009 from Avalon Housing Inc, for financial assistance to acquire and rehabilitate 23 units of affordable housing at 701 Miller;

Whereas, Of the total project cost of approximately \$2,749,496.00, Avalon will be leveraging \$374,378.00 in Ann Arbor NSP funds (R-9-481 and R-10-279), \$1,100,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Downtown Development Authority, \$230,000.00 from the Federal Home Loan Bank (FHLB) and \$485,581.00 from Washtenaw County; and

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

RESOLVED, That City Council appropriate the funds with revenue from program income and approve the allocation of \$60,166.00 in HOME Funds to Avalon Housing Inc., or an affiliated entity for the acquisition and rehabilitation of 23 units of affordable housing at 701 Miller, as a 0% interest, deferred payment, 30-year loan to be repaid if the property is transferred or the use changes from low-income residential within the term of the loan, otherwise the loan will be forgiven after 30 years;

RESOLVED, That City Council authorizes the City Attorney and the City Administrator, or his designee, to negotiate an intercreditor agreement or subordination agreement (or agreements) with MSHDA, the FHLB (through a local bank) and/or the county that establishes lien priority for all secured financing for the transaction.

RESOLVED, That as a condition of loan disbursement, Avalon Housing, Inc., or an affiliated entity, 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 a Housing Affordability Agreement, and Intercreditor Agreements or Subordination Agreements, as necessary, 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.