



Legislation Text

File #: 07-0191, **Version:** 1

Resolution to Allocate \$415,000.00 in HOME Funds to Avalon Second Nonprofit Housing Corporation for the Acquisition and Rehabilitation of 819 Third St and to Approve the Affordable Housing Covenant (\$415,000.00 HOME Funds)

Attached for your review and approval is a resolution to allocate \$415,000 in HOME Funds to Avalon Second Nonprofit Housing Corporation to acquire and rehabilitate 6 units of permanent affordable housing for chronically homeless individuals. The total budget is \$1,000,000. The request for City funds constitutes 41% of the total project costs. Avalon has secured \$500,000 from the Michigan State Housing Development Authority (MSHDA), \$25,000 from Washtenaw County and is requesting \$60,000.00 from the City of Ann Arbor DDA.

Avalon will own and manage the property and Catholic Social Services will provide supportive services. Tenants will be referred by the Shelter Association of Washtenaw County and the PORT Team. As the property managers, Avalon will screen the tenants. Avalon has acquired the property with a bridge loan while permanent financing is secured.

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 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 15 years as required by the HOME program regulations. The City's affordability period will be 99-years, consistent with previous projects. Consequently, Avalon will ensure that replacement reserves (for large property improvements such as a new roof) and operating reserves are included in the budget and placed in a restricted escrow account.

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 July 1, 2007, the HOME budget reflects \$1,829,522.00 in uncommitted and available funds, including FY 2007-2008 HOME funds.

The Office of Community Development recommends City Council approve the \$415,000.00 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 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 59% of the equity after paying off all liens, and allowing the City to retain 41% of the equity.

Avalon Second Nonprofit Housing Corporation received Human Rights and Living Wage approval on June 26, 2007.

Jennifer Hall, Housing Program Coordinator

Damon Thompson, Interim Community Development Director
Jayne Miller, Community Services Administrator
Roger W. Fraser, City Administrator

Whereas, An application was received in November 2006 from Avalon Second Nonprofit Housing, an affiliated entity of Avalon Housing, Inc., for financial assistance to acquire and rehabilitate 6 units of permanent supportive housing for the chronically homeless;

Whereas, Of the total estimated project cost of \$1,000,000.00 Avalon Second Nonprofit Housing Corporation will be leveraging \$500,000.00 from the Michigan State Housing Development Authority (MSHDA), \$25,000.00 from Washtenaw County and are applying for \$60,000.00 from the City of Ann Arbor DDA; and

Whereas, This project will provide housing and supportive services to chronically homeless 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 \$415,000.00 of HOME Funds to Avalon Second Nonprofit Housing Corporation for the acquisition and rehabilitation of 6 units of affordable housing at 819 Third, contingent upon securing permanent financing for the entire development costs, 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 59% of the equity after paying off all liens, and allowing the City to retain 41% of the equity as a condition of the loan;

RESOLVED, That as a condition of loan disbursement, Avalon Second Nonprofit Housing Corporation 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.