



Legislation Text

File #: 08-0356, Version: 1

Resolution to Amend the Allocation of HOME Funds to Whispering Creek Project LLC for the Acquisition and Rehabilitation of 3331 - 3333 Platt Road from \$205,000.00 to \$32,636.00 and to Approve the Housing Affordability Agreement (\$32,636.00 HOME Funds)

Attached for your review and approval is an amended resolution to allocate \$32,636 in HOME Funds to Whispering Creek Project, LLC, a subsidiary of Michigan Ability Partners (MAP), to acquire and rehabilitate six units of transitional housing for disabled persons, with a set-aside for disabled veterans. MAP and HERO will provide on-site and off-site treatment and employment services.

MAP is acquiring two adjacent duplexes at 3331 - 3333 and 3335 -3337 Platt Road. On February 4, 2008 Council approved a resolution for \$205,000 for each property R-08-032 and R-08-033. MAP secured \$201,501 from the VA, \$159,915 from the FHLB, and \$25,000 from the County. MAP split these funds equally between the two properties. After the February 4, 2008 Council meeting, MAP learned that the VA was requiring all of their funds to be designated to 3331-3333 Platt Road. Consequently, all of the FHLB funds also needed to be shifted to 3331-3333 Platt Road to provide non-federal matching funds. As a result, most of the City's funds need to be shifted to 3335 - 3337 Platt. The total funding from the City has not changed.

	Old Budget		New Budget	
	<u>3331/3333</u>	<u>3335/3337</u>	<u>3331/3333</u>	<u>3335/3337</u>
City	\$205,000	\$205,000	\$32,636	\$377,364
County	\$12,500	\$12,500	\$0	\$25,000
FHLB	\$79,958	\$79,958	\$159,915	\$0
VA	<u>\$100,751</u>	<u>\$100,751</u>	<u>\$201,501</u>	<u>\$0</u>
TOTAL	\$398,209	\$398,209	\$394,052	\$402,364

The total budget is \$394,052. The request for City funds constitutes 8% of the total project costs. Michigan Ability Partners has secured \$201,501 from the VA and \$159,915 from FHLB.

The project is consistent with the City's Consolidated Strategy and Plan. 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 Whispering Creek, LLC 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 housing affordability agreement 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, MAP 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, MAP is requesting a 0% interest, deferred loan.

The Housing Policy Board (HPB), at its meeting on December 15, 2006, reviewed the MAP request and recommended approval of a 99-year, 0% interest, deferred loan, contingent on MAP securing permanent financing, which was secured in December 2007. 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.

The Office of Community Development recommends City Council approve the amendment from \$205,000 to \$32,636 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 Whispering Creek Project, LLC to retain 92% of the equity after paying off all liens, and allowing the City to retain 8% of the equity.

Whispering Creek Project, LLC received Human Rights and Living Wage approval in February 2008.

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 November 2006 from Whispering Creek Project, LLC, an affiliated entity of Michigan Ability Partners, for financial assistance to acquire and rehabilitate six units of transitional housing for extremely low-income disabled individuals, with a set-aside for disabled veterans;

Whereas, Of the total estimated project cost of \$394,052 Michigan Ability Partners has leveraged \$201,501 from the Department of Veteran's Affairs and \$159,915 from the Federal Home Loan Bank;

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

Whereas, On February 4, 2008, City Council approved R-08-033 which allocated HOME funding for 3331-3333 Platt Road;

RESOLVED, That City Council approve the revised allocation of \$32,636 of HOME Funds to Whispering Creek Project, LLC for the acquisition and rehabilitation of six units of affordable housing at 3331 - 3333 Platt Road 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 converted to a grant at the term end;

RESOLVED, That City Council approve a right of first purchase clause by the City and an equity-sharing clause allowing Whispering Creek Project, LLC to retain 92% of the equity after paying off all liens, and allowing the City to retain 8% of the equity as a condition of the loan;

RESOLVED, That as a condition of loan disbursement, Whispering Creek Project, LLC 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 a 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, is authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.