



Legislation Text

File #: 10-0667, Version: 2

Resolution to Reallocate \$175,383.00 in Neighborhood Stabilization Program Funds to Avalon Housing Inc. or an Affiliated Ownership Entity for the Acquisition and Rehabilitation of 701 Miller (\$175,383.00 CDBG-NSP Funds) **(8 Votes Required)**

Attached for your review and approval is a resolution to reallocate an additional \$175,383 in Neighborhood Stabilization Program (NSP) Funds to Avalon Housing Inc. or an affiliated ownership entity to acquire and rehabilitate 23 units of permanent affordable housing for low income tenants.

Avalon is using various funding sources to acquire and rehabilitate 23 units at 701 Miller for a budget of approximately \$2,400,000. Various sources of funding are as follows: \$549,000 from the Michigan State Housing Development Authority (MSHDA), awaiting approval of an additional \$900,000 from MSHDA, \$200,000 from the Downtown Development Authority, \$120,000 from Washtenaw County, \$230,000 from the Federal Home Loan Bank and \$200,000 in NSP funds as approved by Council on December 7, 2009 from \$850,000 NSP grant.

The City of Ann Arbor was allocated \$850,000 in NSP funds from MSHDA out of a total national allocation of \$3,920,000,000 under Title III of Division B of the Housing and Economic Recovery Act (HERA) by Congress for the Neighborhood Stabilization Program (NSP). These funds are a special Community Development Block Grant (CDBG) allocation. Because the City's formula allocation was less than \$2 million, the funds went to the State of Michigan to administer instead of directly to the City of Ann Arbor. MSHDA allocated \$850,000 to Ann Arbor and Council accepted the grant on July 8, 2009 (R-09-366).

MSHDA must commit all of its NSP funds by September, 2010, as uncommitted funding will be recaptured by HUD. Therefore, MSHDA is requiring that all NSP funds awarded to Ann Arbor and other grantees throughout the state are committed by June 30, 2010, and it will recapture any funds that remain uncommitted. In order to ensure that all of the original \$850,000 in NSP funds awarded to the City of Ann Arbor are fully committed - and avoid recapture by MSHDA, Community Development evaluated activities in the original budget to be committed by September, 2010 and determined that \$175,000 will remain uncommitted by MSHDA's new deadline of June 30, 2010. Community Development requested that MSHDA reallocate uncommitted \$175,000 from the original budget to 701 Miller and requested a MSHDA budget amendment as detailed below:

Original Budget:

Purchase and Rehabilitation of 701 Miller	\$200,000
Purchase and Rehabilitation of Owner Housing - Habitat and CHA	\$490,000
Homebuyer Education	\$25,000
Demolition	\$50,000

Administration	<u>\$85,000</u>
TOTAL	\$850,000

New Budget for Original NSP Award:

Purchase and Rehabilitation of 701 Miller	\$375,378
Purchase and Rehabilitation of Owner Housing - Habitat and CHA	\$362,822
Homebuyer Education	\$1,800
Demolition	\$26,000
Administration	<u>\$85,000</u>
TOTAL	\$850,000

Community Development is now requesting City Council approve reallocation of \$175,000 within the \$850,000 NSP grant, increasing the total allocation to \$375,378 for 701 Miller to meet its needs.

Avalon currently manages the property for Washtenaw Affordable Housing Corporation (WAHC). Avalon will purchase and manage the property and 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 5 units are set aside for a special needs population and will receive supportive services to assist them to maintain their housing. The NSP plan requires that the units be occupied by households at 50% AMI or less, which is the current income limit for the existing tenants.

The City Attorney's office will review the legal and contractual documents to ensure that Avalon will comply with the requirements in the NSP regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations as part of their NSP program monitoring.

Consistent with NSP 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, consistent with the NSP Plan.

The Office of Community Development recommends City Council approve the \$175,383 CDBG-NSP 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. The lien includes an equity-sharing recapture formula. If the property is sold or transferred before the 30 year term ends, then the lien must be repaid in full or based on a formula, whichever is greater. The formula is based on a shared increase in the appraised value at the time of sale or transfer. At the time of initial purchase, the percent of NSP funds as a percent of the appraised value will be calculated. At the time of sale or transfer, the same percent of increase in the appraised value between the initial purchase and the new appraised value will be repaid to the City of Ann Arbor. The greater of this formula and the actual lien amount will be repaid out of net sales proceeds (after paying all liens, closing costs, realtor fees and deducting the initial owner cash investment).

Avalon Housing Inc. received Human Rights and Living Wage approval in September, 2009.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director, Sumedh Bahl, Community Services Administrator

Whereas, The State of Michigan through the Michigan State Housing Development Authority (MSHDA) is the administrator of Ann Arbor's Neighborhood Stabilization Program (NSP) allocation because Ann Arbor's formula allocation was less than \$2 million;

Whereas, MSHDA allocated an additional \$911,950 in NSP funds to the City's original \$850,000 allocation accepted by Council on July 8, 2009 (R-09-366);

Whereas, No project costs will be incurred prior to a formal grant award, completion of the environmental review procedures, and formal written authorization to incur costs is received from MSHDA;

Whereas, The acquisition and rehabilitation of 701 Miller by Avalon Housing is consistent with the Urban County's Annual Plan, the City of Ann Arbor's Affordable Housing Needs Assessment, and the City of Ann Arbor's Neighborhood Stabilization Grant Application;

Whereas, In Resolution R-09-224 on June 15, 2009, City Council approved an Operating Agreement with the County to administer the City's NSP grant.;

Whereas, The City and the County have operated under a Partnership Agreement since the inception of the joint department in 2004; and

Whereas, Community Development is recommending that City Council accept the funds and authorize Washtenaw County to administer the funds;

RESOLVED, That City Council approve an amendment to the original \$850,000 NSP budget from MSHDA, as follows;

Original Budget

Purchase and Rehabilitation of 701 Miller	\$200,000.00
Purchase & Rehabilitation of Owner Housing - Habitat and CHA	\$490,000.00
Homebuyer Education	\$25,000.00
Demolition	\$50,000.00
Administration	\$85,000.00
TOTAL	\$850,000.00

New Budget for Original NSP Award

Purchase and Rehabilitation of 701 Miller	\$374,378.00
Purchase and Rehabilitation of Owner Housing - Habitat and CHA	\$362,822.00
Homebuyer Education	\$1,800.00
Demolition	\$26,000.00
Administration	\$85,000.00
TOTAL	\$850,000.00

RESOLVED, That City Council accept the additional grant for \$911,950.00 from MSHDA for Neighborhood Stabilization Program funds;

RESOLVED, That the Mayor and City Council appropriate \$911,950.00 in NSP funds as follows:

Purchase and Rehabilitation of Rental Housing at 701 Miller	\$829,575.00
Administration	<u>\$82,375.00</u>
TOTAL	\$911,950.00

RESOLVED, That the Mayor and City Council approve NSP allocations in the FY 2011 budget to Avalon Housing and authorize the Office of Community Development to negotiate contractual agreements and liens in accordance with the City's purchasing procedures, 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 Council authorize the Office of Community Development to submit the NSP direct funding request documents to MSHDA on behalf of the City;

RESOLVED, That City Council authorize Washtenaw County to administer the NSP grant; 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.