



## Legislation Text

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**File #:** 24-0972, **Version:** 1

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### Resolution to Approve the Housing and Human Services Advisory Board Recommendations to Amend the Ann Arbor Affordable Housing Fund Policy

The Ann Arbor Affordable Housing Fund (AAAHF) was adopted by City Council in July, 1989. The AAAHF policy guidelines were developed by the Ann Arbor Community Development Department and approved by the City's Housing Policy Board in February, 1991 and by the Ann Arbor City Council in April, 1991. The City's Community Development Department merged with the County's Community Development Department in 2005 and is now known as the Washtenaw County Office of Community and Economic Development (OCED). The Housing Policy Board merged with the Human Services Board and is now known as the Housing and Human Services Advisory Board (HHSAB). The guidelines have been amended twice, in both Nov. 9, 2006 and Oct. 20, 2014. The attached policy amendments were reviewed and approved by the HHSAB at their May 9, 2024 meeting to modernize and clarify the policy guidelines.

Historically the AAAHF has been funded by City general funds, proceeds from the sale of City properties and developer contributions. Since its inception, the Housing and Human Services Advisory Board (HHSAB) has recommended and City Council has approved funding for a variety of housing projects with the vast majority targeted for residents with the lowest incomes. The fund has also paid for several housing studies.

The Fund was established for the retention and creation of long-term affordable housing for households with incomes less than 60% of the City's Family Area Median Income (AMI) as defined by the federal department of Housing and Urban Development (HUD); with priority given to households whose income is at or below 30% of AMI. Applications for each project AAAHF must be submitted to OCED. Applications are reviewed by OCED staff and the HHSAB for funding consideration. The HHSAB makes funding recommendations to City Council for final approval.

The AAAHF policy needs to be updated to modernize the language so it is consistent with other affordable housing programs, clarify what the purpose and use of the funds are, and to create an efficient and transparent application process in anticipation that several large development projects will be making large contributions to the AAAHF in lieu of including units on site.

The HHSAB had a lengthy discussion about the eligible uses for these funds and recommends that the uses include: acquisition, demolition, new construction, renovation, and related infrastructure to develop affordable housing. In addition, nonprofits may request funding for pre-development feasibility activities and technical assistance. The 2015 Housing Affordability and Economic Equity Analysis has been adopted by the City of Ann Arbor, which calls for the City of Ann Arbor to create 140 new affordable housing units per year, for 20 years through 2035. The AAAHF is a critical local funding source to leverage other local, state, federal, and philanthropic funds to increase the affordable housing supply and retain existing units.

The purpose of the AAAHF is to develop affordable housing. Therefore, the HHSAB recommends

that rental assistance and the operation of affordable housing programs be removed from the eligible uses. The HHSAB also considered adding services as a new eligible use and decided against adding services. Other local funding sources exist to provide rental assistance, operations, and services. The HHSAB strongly encourages City Council to continue its commitment to provide general fund and marijuana excise tax rebate funds to support non-profits that provide affordable housing, shelters and services to support low-income, special needs and homeless households. The HHSAB strongly encourages City Council to continue its current policies of providing a minimum of 40% of the proceeds from the County Mental Health and Sheriff Millage Rebate to the Ann Arbor Housing Commission for tenant supportive services. The 2020 Affordable Housing Millage allows up to 20% of the revenue to be spent on services to support development projects funded with the millage. There are insufficient service funds in the Affordable Housing Millage to support existing tenant services in existing AAHC properties and to support services in new affordable housing developments.

The HHSAB recommends a 3-tier application process depending on the funding amount to align with City of Ann Arbor and federal procurement regulations. For projects requesting less than \$75,000, the request will be administered by OCED as a grant and will be reported to the HHSAB and City Council. For projects requesting \$75,000 to \$250,000 there will be an open quarterly application process. These applications will be reviewed by OCED, recommended by the HHSAB and approved by City Council. For projects requesting over \$250,000 a competitive Request for Proposal will be issued. These applications will be reviewed by OCED, recommended by the HHSAB and approved by City Council. If the project is complex, the HHSAB and OCED may utilize consultants to conduct an underwriting and subsidy layering analysis to ensure that projects are not over-subsidized.

The HHSAB recommends that only nonprofit organizations are eligible for up to a \$100,000 grant for pre-development activities such as appraisals, surveys, legal fees etc. that are needed to determine the feasibility of an affordable housing acquisition or new construction project. The HHSAB recommends that the affordability period will be based on the amount of per unit funding and use.

- 5 years for less than \$15,000/unit
- 10 years for \$15,000 - \$40,000/unit
- 15 years for >\$40,000/unit for renovation projects and refinancing
- 30 years for new construction projects of any dollar amount

The HHSAB recommends removing individuals as eligible applicants and adding cooperatives as eligible applicants.

The HHSAB recommends removing the application requirements from the policy and the OCED and HHSAB will create new applications customized to the type of project. i.e. pre-development, new construction or renovation.

Attached is a redline version of the proposed changes as well as a clean version of the proposed changes. The HHSAB recommends that City Council adopt the attached amended Ann Arbor Affordable Housing Fund policy.

Prepared by: Tara Cohen, Housing & Infrastructure Manager, Washtenaw County Office of Community and Economic Development

Reviewed by: Derek Delacourt, Community Services Area Administrator

Approved by: Milton Dohoney Jr., City Administrator

Whereas, The City maintains an Ann Arbor Affordable Housing Fund (“AAAHF”), to assist with the

retention and creation of affordable housing;

Whereas, The Housing and Human Services Advisory Board (HHSAB) oversees the AAAHF application review process for eligible projects, makes recommendations to City Council to support the increase in the supply of affordable housing, as clearly articulated in the AAAHF Policy, and the 2015 Housing Affordability and Economic Equity Analysis;

Whereas, The 2015 Housing Affordability and Economic Equity Analysis has been adopted by the City of Ann Arbor, which calls for the City of Ann Arbor to create 140 new affordable housing units per year, for 20 years through 2035;

Whereas, City Council confirms its commitment to provide general fund and marijuana excise tax rebate funds to support non-profits that provide affordable housing, shelters and services to support low-income, special needs and homeless households;

Whereas, City Council confirms its commitment to continue its current policies of providing a minimum of 40% of the proceeds from the County Mental Health and Sheriff Millage Rebate to the Ann Arbor Housing Commission for tenant supportive services; and

Whereas, the AAAHF requires updating to modernize and clarify the eligible uses of the funds;

RESOLVED, That City Council approves the attached amended Ann Arbor Affordable Housing policy;and

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