



Legislation Text

File #: 10-0491, Version: 1

Resolution to Approve the Sale/Transfer of Washtenaw Affordable Housing Corporation’s Property at 701 Miller to Avalon Housing Inc., or an Affiliated Agency, Discharge of the City CDBG and HOME Mortgages for \$27,920.00 and \$348,541.62 Respectively, Approve Affordability Agreement with Avalon and Avalon’s Assumption of \$507,000.00 HOME Mortgage

Washtenaw Affordable Housing Corporation (WAHC) has been working with the Office of Community Development (OCD) and Michigan State Housing Development Authority (MSHDA) on a long-term strategy to maintain WAHC’s units as affordable housing. A consultant, Corporate FACTS, was hired by MSHDA and the City to analyze WAHC’s portfolio, property management plan, finances, and staffing. All parties have agreed that the most viable solution for WAHC is to merge with Avalon Housing, Inc. (“Avalon”).

Avalon is currently managing all the properties for WAHC. In addition, Avalon has agreed to acquire 701 Miller (Parkside Apartments) from WAHC. WAHC currently has the following mortgage liens on its properties.

<u>Amount</u>	<u>Funding Source</u>	<u>Affordability Period Expiration</u>
\$348,541.62	HOME funds	2000
\$27,920.00	CDBG funds	n/a
\$507,000.00	HOME funds	2015

The Office of Community Development recommends that Council approve the sale/ transfer of 701 Miller to Avalon Housing Inc., or an affiliated agency. The City’s existing Affordability Agreement requires WAHC to get permission to sell or transfer the properties. Avalon will maintain the units as affordable rental housing for the period of the City Affordability Agreement and Avalon will execute a Housing Affordability Agreement with the City. Avalon will also assume the \$507,000 HOME mortgage, which has an affordability period that has not expired yet and needs to be maintained on the property.

The Office of Community Development recommends that Council approve the discharge of the \$348,541.62 City HOME mortgage and the \$27,920.00 City CDBG mortgage. The existing liens on this property achieve two City goals - to secure the City’s investment during the term of federal HOME or CDBG compliance and to secure the long-term affordability of the project. The federal obligation has ended for this funding, so the City no longer has any obligation to repay these funds to HUD. In contrast, the City HOME loan of \$507,000.00 remains in its federal compliance period, so the City has some risk of repayment. The long-term affordability of the units will be assured going forward through City Affordability Agreements and those of other funders. For this reason, staff recommend that the two liens associated with City subsidy that have completed their federal affordability periods be discharged, while the lien for the HOME loan that remains in its affordability period be assumed by Avalon.

Additionally, Avalon as a new owner needs to minimize how much debt from prior operations it carries forward. Too much debt relative to the value of the property can be an obstacle. Waiving these liens enables Avalon to take on the property with the total new debt reasonably balanced to the value of the property.

The City is able to waive these liens without jeopardizing its exposure in the event of a recapture of federal funds. The underlying policy of ensuring protection for City funds during the federal regulatory period and the City's own long term affordability continues to be protected.

Therefore, Community Development is recommending that Council approve the discharge of the \$27,920.00 CDBG lien and \$348,541.62 HOME lien. The CDBG funds do not have an affordability period that must be maintained and the HOME funds met the affordability period requirement in 2000. Community Development is recommending that Council approve assumption of the \$507,000.00 WAHC mortgage by Avalon at the time of acquisition.

Prepared by: Jennifer Hall, Housing Manager, Mary Jo Callan, Community Development Director

Reviewed by: Sumedh Bahl, Interim Community Services Administrator

Whereas, Washtenaw Affordable Housing Corporation (WAHC) has been working with the Office of Community Development (OCD) and Michigan State Housing Development Authority (MSHDA) on a long-term strategy to maintain WAHC's units as affordable housing;

Whereas, A consultant, Corporate FACTS, was hired by MSHDA and the City to analyze WAHC's portfolio, property management plan, finances, and staffing;

Whereas, All parties have agreed that the most viable solution for WAHC is to merge with Avalon Housing, Inc.; and

Whereas, Avalon has agreed to acquire 701 Miller from WAHC;

RESOLVED, That the Mayor and City Council approve the sale/transfer of 701 Miller from WAHC to Avalon Housing Inc., or an affiliated entity;

RESOLVED, That the Mayor and City Council approve releasing WAHC from all terms of their \$27,290.00 CDBG loan, \$348,541.62 HOME loan and Housing Affordability Agreement for 701 Miller upon sale of the property to Avalon Housing Inc., or an affiliated entity;

RESOLVED, That as a condition of the sale, Avalon Housing, Inc., or an affiliated entity, will assume the WAHC \$507,000.00 HOME 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 with Avalon Housing, Inc., or an affiliated entity, 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.