



Legislation Details (With Text)

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**Title:** Resolution to Waive \$75,000.00 Community Development Block Grant (CDBG) 1997 Mortgage for Ozone House’s Youth Shelter at 1705 Washtenaw Avenue

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**Attachments:** 1. Ozone House mortgage City of Ann Arbor request, 2. 1705 Washtenaw Mortgage-08132018100546660

Date	Ver.	Action By	Action	Result
9/16/2019	1	City Council	Approved	Pass

Resolution to Waive \$75,000.00 Community Development Block Grant (CDBG) 1997 Mortgage for Ozone House’s Youth Shelter at 1705 Washtenaw Avenue

Ozone House purchased the house at 1705 Washtenaw Avenue in 1997 to develop a shelter for youth experiencing homelessness. At the time, they requested and received a loan of \$75,000.00 the City of Ann Arbor Community Development Block Grant (CDBG) program for acquisition and rehab of the property for that use. The loan conditions indicated that if the property is sold, or the use changed from a shelter to another use, that the \$75,000.00 be repaid without interest. Ozone House is requesting that City Council forgive the \$75,000.00 mortgage without repayment, as they are not eliminating but expanding the regional youth shelter albeit in a different location.

Ozone House is currently in the process of consolidating locations and expanding services to a new location currently under construction in the City of Ypsilanti. To prepare for consolidation, Ozone House listed the house at 1705 for sale, and has found a buyer looking to close on the property on or before September 20, 2019.

Below is information from Ozone House on the consolidation of locations and expansion of services planned for the new location:

Since our founding nearly 50 years ago, Ozone House has added and expanded our programs intentionally and through collaboration with community partners. However, our physical space has not kept pace with demand and must be brought up to best practices to effectively serve the youth of our community. Our new “home” will be a single campus for our emergency shelter, housing and support services that increases accessibility and efficiency, and promotes shared resources.

We are undertaking this project for several reasons:

- The quality of our facilities needs to reflect the quality of our services. Our current emergency shelter and transitional housing facilities are old homes that require constant maintenance and were not originally designed for commercial use. Moreover, neither is ADA compliant.
- We need individual bedrooms in our emergency shelter and transitional housing programs. Best practices for serving youth who have been traumatized by abuse, human trafficking, abandonment, and homelessness require single bedrooms.
- Our programs are often at capacity, and we need more space to meet the needs of youth and families in crisis in this community.

We are thrilled with our new location's accessibility to a major bus line between Ann Arbor and Ypsilanti, its location relative to important community resources like Washtenaw Community College, Eastern Michigan University and St. Joseph Mercy Hospital, and, most importantly, its proximity to the majority of youth and families that we work with.

We anticipate the following outcomes from this project:

- The ability to comfortably sleep up to 32 youth every night, which represents a 150% increase in beds available for our community's 1,400+ homeless youth
- An on-site job training and education center for up to 800 youth annually
- Therapy offices that provide a healing atmosphere
- Outdoor and indoor recreational spaces to promote health and wellness
- Laundry and shower facilities

### Discussion

Per the City's Policy Regarding Affordable Housing Project Mortgages, neither staff nor the City Administrator has the authority to forgive the mortgage on 1705 Washtenaw Avenue. However, City Council could choose to forgive the mortgage, as there are no outstanding obligations related to the use of CDBG funds.

As noted above, this mortgage requires repayment without interest, at the point of sale. This mortgage is fairly unique in that it has no expiration date, and there is no means for partial or permanent forgiveness once a specific time frame is met.

Staff reviewed the following options/standards before coming up with a specific recommendation:

- Request City Council approval to forgive the mortgage, as the initial intent was to encourage operation of a youth shelter in perpetuity, and the consolidation and relocation of the shelter will meet and expand this goal.
- Apply current standards for single-family home rehabilitation program, and forgive one-third of the loan every ten years. In this case, the shelter has been in operation for 22 years, so 2/3 of the loan can be forgiven, or \$50,000.00, resulting in \$25,000.00 to be repaid at time of sale. The standards utilized in this example are for the single-family home program and are intended to maintain home-ownership for low or moderate income households. The goal does vary from that of providing youth homeless shelter.
- Apply Home Investment Partnership standards to the mortgage. This federal affordable housing program prescribes affordability periods based on investment level. For a \$75,000.00 investment, the HOME program would require a 15 year affordability period. As the youth shelter has been in use for 22 years, if HOME funds had been used the

affordability period would be met.

HUD requires that if all or a portion of CDBG funds are repaid, that the funding be returned to the program and used according to HUD and local program guidelines. If any funds are to be repaid at the point of sale, the funds would return to the CDBG program and could be spent on eligible projects within the City limits.

Staff recommendation: Based on Ozone House's plan to relocate and expand the youth shelter, staff recommends releasing the mortgage without repayment.

Prepared by: Teresa Gillotti, Office of Community and Economic Development

Reviewed by: Derek Delacourt, Community Services Area Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, Ozone House is consolidating both their emergency shelter and transitional housing into one location while also expanding the number of shelter beds, services for youth, and provide other recreational and event space at a new location under construction in the City of Ypsilanti;

Whereas, As part of the consolidation and expansion process, Ozone House is selling the property at 1705 Washtenaw;

Whereas, Ozone House utilized \$75,000.00 of Community Development Block Grant (CDBG) Funds from the City in 1997 to acquire and rehabilitate the house at 1705 Washtenaw Ave. for a youth shelter with the requirement that the loan be repaid upon sale of the property or change in use;

Whereas, The loan was incorporated into the Mortgage - City of Ann Arbor, Michigan Community Development Department ("Mortgage"), between Ozone House and the City of Ann Arbor, dated May 28, 1997;

Whereas, Ozone House has operated the regional youth shelter in that location for 22 years, and will continue to run a regional shelter, albeit at a different location; and

Whereas, Ann Arbor City Council may release the Mortgage, and not require repayment of the \$75,000.00;

RESOLVED, That City Council releases Ozone House from the terms of the Mortgage, and forgives repayment of the \$75,000.00;

RESOLVED, That Ozone House consider forgiveness of the loan to be a contribution toward the consolidation and expansion into their "Forever Home";

RESOLVED, That the Mayor, City Clerk, and City Administrator be authorized and directed to sign a Release of Mortgage, consistent with the terms of this resolution, subject to approval as to form by the City Attorney and approval as to substance by the City Administrator, as well as any other related documents necessary to forgive the loan and release the mortgage; and

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