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Resolution to Direct the City Staff to Conduct Community Engagement Around Development Options for 721 N Main in Support of Affordable Housing in the City

On April 1, 2019, Ann Arbor City Council adopted Resolution R-19-138 directing the City Administrator to collaborate with the Ann Arbor Housing Commission (AAHC) to provide coordinated analysis on the feasibility of city-owned properties as potential locations for affordable housing. This resolution incorporated previous resolutions R-19-110, R-19-111 and R-19-116.

Jennifer Hall, Executive Director of the Ann Arbor Housing Commission led the analysis along with support from a staff team and several contractors to determine the feasibility for 11 sites including review of land use and zoning, environmental conditions, financial resources, site -specific costs, and overall risk among other factors. The analysis, three potential portfolio scenarios, and next step recommendations were presented to City Council at the Nov.18, 2019 City Council meeting.

As part of the analysis, it was determined that 721 N Main had numerous site challenges including close proximity to a railroad and a deed restriction prohibiting any development (including a parking lot) in the floodway and floodplain. As the vast majority of the site is in the floodway/floodplain, that portion of the site is best suited for green space. The northwest corner of the site that abuts W Summit street is the only portion of the site that is suitable for housing development and could include 25-35 units.

This site is not eligible for Low-Income Housing Tax Credit (LIHTC) or HUD funding, which makes it more difficult to develop as affordable housing.

Consequently, the analysis included the option of developing the property as a limited equity cooperative for households primarily at 80% of Area Median Income (AMI) or less. The cooperative model is not the same cooperative model common in Ann Arbor such as Arrowwood, Forest Hills and University Townhomes. Those cooperatives were built more than 40 years ago with federally financed

mortgages at a time when construction costs were much lower, which enabled these properties to maintain their long-term affordability today.

This proposed cooperative option requires many risky factors to work. It would require a developer who specializes in cooperative development to secure private construction financing to develop the property. The developer would market the properties and sell the individual units to homebuyers. The homebuyers must be able to secure a mortgage between \$275,000 - \$385,000. The individual homebuyers would become members of the self-governed cooperative and pay monthly membership fees to pay for the maintenance of the property. The model is very similar to a condominium association except the project will be on a ground lease with the City, there will be a limited equity resale provision, and the legal structure of the cooperative can potentially make it eligible for a PILOT instead of paying full property taxes.

To develop this property as affordable rental housing, alternative local financing such as housing revenue bonds, DDA affordable housing funds, brownfield funds, Ann Arbor Affordable Housing Funds and/or proceeds from the sale of other public sites need to be utilized instead.

Alternatively, the property could be leased to a private developer and the City can require a percent of the units to be affordable to 60% AMI households. Or, the property could be sold to a private developer to develop as market rate housing and the proceeds can be used to subsidize housing on other city-owned sites that are also not competitive enough to secure LIHTC such as 2000 S. Industrial, 3400 Platt and 1501 E Stadium. Or the property can be held as public land for a future public use.

The staff team is requesting that City Council direct staff to work with the DDA, Tree Line Conservancy and other community partners on community engagement around the optimal development options for 721 N Main in support of affordable housing in the City.

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

Reviewed by: Jennifer Hall, Executive Director Ann Arbor Housing Commission

Derek Delacourt, Community Services Area Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, City Council adopted Resolution R-19-138 directing the City Administrator to collaborate with the Ann Arbor Housing Commission (AAHC) to provide coordinated analysis on the feasibility of city-owned properties as potential locations for affordable housing;

Whereas, The extensive analysis was completed and presented to City Council on November 18, 2019;

Whereas, The analysis determined that 721 N Main had numerous site factors impacting its suitability for affordable housing, a majority of the site in the floodway/floodplain and a railroad adjacent to the site that disqualifies the site from federal funding including Low-Income Housing Tax Credits; and

Whereas, The northwest corner of the site could be developed as housing;

RESOLVED, That City Council direct the City Administrator to work with the DDA, Tree Line Conservancy and other community partners on community engagement around the optimal development options for 721 N Main in support of affordable housing in the City.