



Legislation Details (With Text)

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|------------------------|--|----------------------|---|----------------------|---|
| <b>File #:</b>         | 22-0302  | <b>Version:</b>      | 1 | <b>Name:</b>         | AAHC RFP Co-Developer Selection & Close 121 Catherine & 353 S. Main |
| <b>Type:</b>           | Resolution   | <b>Status:</b>       |   | <b>Status:</b>       | Filed   |
| <b>File created:</b>   | 2/15/2022  | <b>In control:</b>   |   | <b>In control:</b>   | Housing Commission  |
| <b>On agenda:</b>      | 2/16/2022  | <b>Final action:</b> |   | <b>Final action:</b> | 2/16/2022   |
| <b>Enactment date:</b> |  | <b>Enactment #:</b>  |   |                      |   |
| <b>Title:</b>          | Resolution to Affirm and Approve Avalon Housing Inc., or an Affiliated Entity, as the Selected Co-Developer of 121 E. Catherine St. and Authorize the Executive Director to Negotiate a Pre-Development Agreement and to Close the Request for Proposal AAHC-21-A Without Selecting a Co-Developer for 353 S. Main St. |                      |   |                      |   |
| <b>Sponsors:</b>       |  |                      |   |                      |   |
| <b>Indexes:</b>        |  |                      |   |                      |   |
| <b>Code sections:</b>  |  |                      |   |                      |   |
| <b>Attachments:</b>    | 1. R-19-514 121 Resolution from the Ann Arbor City Council Directing the AAHC to Develop E Catherine as Affordable Housing 11.18.2019.pdf, 2. R-21-138 Resolution from Ann Arbor City Council Directing the AAHC to Develop 353 S. Main as Affordable Housing.pdf  |                      |   |                      |   |

| Date      | Ver. | Action By          | Action | Result |
|-----------|------|--------------------|--------|--------|
| 2/16/2022 | 1    | Housing Commission |        |        |

Resolution to Affirm and Approve Avalon Housing Inc., or an Affiliated Entity, as the Selected Co-Developer of 121 E. Catherine St. and Authorize the Executive Director to Negotiate a Pre-Development Agreement and to Close the Request for Proposal AAHC-21-A Without Selecting a Co-Developer for 353 S. Main St.

The City of Ann Arbor approved a resolution (R-19-514) directing the Ann Arbor Housing Commission (“AAHC”) to develop 121 E. Catherine St. as affordable housing and a resolution (R-21-138) to develop 353 S. Main St. as affordable housing. These resolutions express a desire for the developments to include approximately 50-90 units at S. Main St. and approximately 60-85 units at E. Catherine St. to be affordable to households up to an average of 60% of the Area Median Income (AMI).

The resolutions directed the AAHC to conduct applicable due diligence, such as environmental reviews, surveys, and other site investigation items; hire a co-developer to work with an architectural firm and engineering firm to design a project for site plan approval, submit an application for Low Income Housing Tax Credits and other related affordable housing financing.

The 353 S. Main St. resolution included direction to coordinate with the City’s Sustainability and Innovations staff to explore construction designs that minimize climate impact, and it is presumed that this direction applies to the 121 E. Catherine St. site as well.

The 121 E. Catherine St. resolution directed the Mayor and the City Clerk to sign related documentation to support the AAHC’s application for Low-Income Housing Tax Credits and other federal, state or local funding to develop these sites. The 353 S. Main St. resolution expanded that

directive to include language that the Mayor and the City Clerk be authorized and directed to sign any necessary letters, applications and agreements related to granting the Ann Arbor Housing Commission, its affiliated legal entities and contractors access to the property, authority to apply to the City for development-related approvals, support of affordable housing funding applications, or other design phase documents, subject to approval as to substance by the City Administrator, and approval as to form by the City Attorney.

The AAHC did conduct due diligence and did issue a Request for Proposal (“RFP”) (AAHC-21-A) in November 2021 to hire a co-developer to develop one or both sites. The Catherine St. site received proposals from 7 developers and the Main St. site received proposals from 4 of the 7 developers.

The AAHC’s RFP review team included Pat Jenkins, AAHC Board member; Rochelle Lento, Dykema Gossett attorney; Derek Delacourt, City of Ann Arbor Community Services Area Administrator; Brett Lenart, City of Ann Arbor Planning Manager; Jennifer Hall, AAHC Executive Director and Marc Norman, Development Consultant.

The review team reviewed the applications and selected 4 developers for follow-up interviews; 2 developers who only responded to the Catherine St. site and 2 developers who responded to both sites.

In consideration of City Council’s objectives for the 121 E. Catherine site, the interview team is recommending that the AAHC board approve the selection of Avalon Housing Inc., or an affiliated entity, as the co-developer for 121 E. Catherine St.

The Avalon proposal included a 6-story building with 100% of the approximately 68 units affordable to households up to 60% of Area Median Income. The proposal included a first-floor plan to include tenant lobby and services, an art and community space and a Woman & Minority Owned Business Incubator and approximately 24 public parking spaces. Avalon proposed partnering with Art Space to include housing for people involved in the arts and managing the first-floor art space. The plan proposes that 50% of units be reserved as permanent supportive housing and 50% of the units reserved for people involved in the arts (not necessarily making a living as artists). Low Income Housing Tax Credits, the largest likely source of funding for construction, does specifically allow for a preference for people involved in the arts, as long as they are income eligible without violating Fair Housing Laws. The project also proposes that Avalon provide on-site services for the supportive housing units.

The interview team recommends that the AAHC Board direct the AAHC Executive Director to execute a pre-development contract with Avalon Housing. The basic terms of the contract will substantially include, but not be limited to the following:

- General partner ownership split AAHC/Avalon
- Developer fee split (and any deferred developer fee) AAHC/Avalon
- Cash-flow split AAHC/Avalon
- Operating deficit split AAHC/Avalon
- The length of time Avalon will remain in the general partnership and the terms for disbanding the partnership
- Roles and responsibilities related to design, site plan approvals, permit processes, procurement, construction oversight, lease-up, financial reporting, and property management.

- A pre-development budget including sources of funds
- Guarantees by each party

The review team is recommending that the AAHC Board close out the RFP without selecting a developer for the 353 S. Main St. site. A new RFP may be issued for 353 S. Main St. site and the 7 respondents to RFP AAHC-21-A are all eligible to apply.

A follow-up step is to provide a resolution to the Ann Arbor City Council to give an update on the development process thus far, and to inform City Council of future actions for these sites, as well as, suggesting terms under which City Council will transfer ownership of the property to the AAHC so that development can occur.

Prepared and Approved by Jennifer Hall, Executive Director Ann Arbor Housing Commission

WHEREAS, The City of Ann Arbor approved a resolution (R-19-514) directing the Ann Arbor Housing Commission (AAHC) to develop 121 E. Catherine St. as affordable housing and a resolution (R-21-138) to develop 353 S. Main St. as affordable housing.

WHEREAS, The AAHC issued a Request for Proposal (“RFP”) (AAHC-21-A) in November 2021 to hire a co-developer to develop one or both properties; and

WHEREAS, Evaluation of the finalists was based on the expressed desires of City Council for development of the site, the conceptual project planning, design, architecture, experience, financial resources, experience with affordable housing development, experience with supportive housing, experience engaging community stakeholders and the overall benefit and value to the City;

WHEREAS, After due consideration and for the reason stated herein, the RFP review team recommends the selection of Avalon Housing Inc. as the finalist with the best qualified offer for 121 E. Catherine St.; and

WHEREAS, After due consideration, the RFP review team recommends closing the RFP related to 353 S. Main St. without selecting a developer, and to leave the option open to issue a new RFP for 353 S. Main; and

RESOLVED, The Board of the Ann Arbor Housing Commission approves Avalon Housing Inc., or an Affiliated Entity as the Co-Developer of 121 E. Catherine St. and to negotiate terms with Avalon in a Pre-Development Agreement that substantially includes the items listed in the memorandum above, and the contract will come back to board for final approval due to the contract exceeding \$250,000, according to the AAHC’s purchasing policy; and

RESOLVED, The Board of the Ann Arbor Housing Commission approves closing the Request for Proposal AAHC - 21-A without selecting a Co-Developer for 353 S. Main St.; and

RESOLVED, The Executive Director is authorized to take all necessary actions to implement this resolution.