



Legislation Details (With Text)

File #: 11-0186 **Version:** 1 **Name:** 3/21/11 WAHC Sale of 1500 Pauline to Avalon
Type: Resolution **Status:** Passed
File created: 3/21/2011 **In control:** City Council
On agenda: 3/21/2011 **Final action:** 3/21/2011
Enactment date: 3/21/2011 **Enactment #:** R-11-106
Title: Resolution to Approve the Sale/Transfer of Washtenaw Affordable Housing Corporation's Property at 1500 Pauline to Avalon Housing Inc., or an Affiliated Agency, and Discharge of the City HOME and CDBG Mortgages for \$700,000.00 and \$300,000.00 Respectively

Sponsors:

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Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
3/21/2011	1	City Council	Approved	Pass

Resolution to Approve the Sale/Transfer of Washtenaw Affordable Housing Corporation's Property at 1500 Pauline to Avalon Housing Inc., or an Affiliated Agency, and Discharge of the City HOME and CDBG Mortgages for \$700,000.00 and \$300,000.00 Respectively

Washtenaw Affordable Housing Corporation (WAHC) has been working with the Office of Community Development (OCD) and the 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 of the properties for WAHC. In addition, Avalon has recently acquired 701 Miller (Parkside Apartments) from WAHC, and has agreed to acquire 1500 Pauline (Parkhurst Apartments). WAHC currently has the following City mortgage liens on 1500 Pauline:

<u>Amount</u>	<u>Funding Source</u>	<u>Affordability Period Expiration</u>
\$700,000	HOME funds	2005
\$300,000	CDBG funds	n/a

The Office of Community Development recommends that Council approve the sale/ transfer of 1500 Pauline to Avalon Housing Inc., or an affiliated agency. The City's existing Housing Affordability Agreement requires WAHC to get permission to sell or transfer the properties. Avalon will maintain the units as affordable rental housing and will execute a Housing Affordability Agreement with Washtenaw County as part of the redevelopment of the property. Avalon has requested HOME funds from the Urban County to redevelop the property and continue to provide affordable housing on the site.

The Office of Community Development recommends that Council approve the discharge of the

\$700,000 City HOME mortgage and the \$300,000 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. The property has been maintained as affordable housing since 1999. In contrast, the future County HOME loan will have a federal compliance period, which the County will have the risk of repaying. The long-term affordability of the units will be assured going forward through the County Housing Affordability Agreement and those of other funders.

Additionally, Avalon as a new owner needs to minimize the amount of debt from prior operations it carries forward. Too much debt relative to the value of the property can be an obstacle to securing additional funds. 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 \$700,000 HOME lien and \$300,000 CDBG lien. The CDBG funds do not have an affordability period that must be maintained and the HOME funds met the affordability period requirement in 2005.

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

Reviewed by: Sumedh Bahl, Community Services Administrator

Whereas, Washtenaw Affordable Housing Corporation (WAHC) has been working with the Office of Community Development (OCD) and the 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 1500 Pauline from WAHC;

RESOLVED, That the Mayor and City Council approve the sale/transfer of 1500 Pauline 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 \$700,000.00 HOME loan, \$300,000.00 CDBG loan and Housing Affordability Agreement for 1500 Pauline upon sale/transfer of the property to Avalon Housing Inc., or an affiliated entity;

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.