



Legislation Text

File #: 08-0720, **Version:** 1

Resolution to Allocate \$845,000.00 in HOME Funds to Avalon's Pear Street Apartments LDHA LP for the Acquisition and Rehabilitation of 1440 Pear Street and to Approve the Housing Affordability Agreement (\$845,000.00 HOME Funds)

Attached for your review and approval is a resolution to allocate \$845,000.00 in HOME Funds to Avalon's Pear Street Apartments LDHA LP to acquire and rehabilitate 20 units of permanent affordable housing for very low-income tenants and 6 chronically homeless individuals. The total budget is \$2,713,610.00. The request for City funds constitutes 31% of the total project costs. Avalon has secured \$500,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Federal Home Loan Bank (FHLB), approximately \$886,079.00 in Low Income Housing Tax Credits (LIHTC), and approximately \$282,531.00 loan from Great Lakes Capital Fund.

Avalon will own and manage the property and Catholic Social Services will provide supportive services. Chronically homeless tenants will be referred by the Shelter Association of Washtenaw County and the PORT Team. All units will benefit from project-based Section 8 vouchers from the Ann Arbor Housing Commission. As the property managers, Avalon will screen the tenants. Avalon has acquired the property with a bridge loan while permanent financing is secured.

The project is consistent with the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness. The targeted tenants are very low income and some are considered a special needs population. The City Attorney's office will review the legal and contractual documents to ensure that Avalon will comply with the requirements in the HOME regulations. It will be the responsibility of the Office of Community Development to monitor agency compliance with these regulations as part of their annual HOME Program monitoring.

Consistent with HOME Program requirements, a mortgage and housing affordability agreement will be placed on the property to preserve the affordability of these units. The project will be ineligible for additional HOME funds for a minimum of 15 years as required by the HOME program regulations. The City's affordability period will be 99-years, consistent with previous projects. Consequently, Avalon will ensure that replacement reserves (for large property improvements such as a new roof) and operating reserves are included in the budget and placed in a restricted escrow account.

Based on an underwriting analysis by the Great Lakes Capital Fund and as required by LIHTC rules, it was determined that HOME funds lent to the project had to include an interest rate set at no more than the Applicable Federal Rate (AFR), which is determined monthly (It is currently 4.4%). The specific interest rate for the requested City HOME loan will be set by the Office of Community Development at no more than the AFR at closing with principle and interest deferred.

The Housing and Human Services Advisory Board (HHSAB), at its meeting on November 13, 2007, reviewed the Avalon request and recommended approval of the project. The HHSAB did not approve a funding amount, which was to be determined after the Office of Community Development performed the necessary financial underwriting and due diligence.

City FY 07 and FY 08 HOME funds have been reserved for this project in the amount of \$845,000.00.

The Office of Community Development recommends City Council approve the \$845,000.00 HOME loan with interest rate set at no more than the AFR, 99-year term, deferred payment loan, with repayment upon sale or transfer of the property. The Office of Community Development also recommends that the City include a right of first purchase and an equity-sharing clause allowing Avalon to retain 69% of the equity after paying off all liens, and allowing the City to retain 31% of the equity.

Pear Street Apartments LDHA LP received Human Rights and Living Wage approval

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director

Reviewed by: Jayne Miller, Community Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, An application was received in September 2007 from Pear Street Apartments LDHA, LP, an affiliated entity of Avalon Housing, Inc., for financial assistance to acquire and rehabilitate 20 units of permanent supportive housing;

Whereas, Of the total project cost of \$2,713,610.00 Pear Street Apartments LDHA, LP will be leveraging \$500,000.00 from the Michigan State Housing Development Authority (MSHDA), \$200,000.00 from the Federal Home Loan Bank (FHLB), approximately \$886,079.00 in Low Income Housing Tax Credits (LIHTC), and approximately \$282,531.00 loan from Great Lakes Capital Fund; and

Whereas, This project will provide housing and supportive services to very low income and 6 chronically homeless individuals, which is a high need in the City's Consolidated Strategy and Plan and the Blueprint to End Homelessness;

RESOLVED, That City Council approve the allocation of \$845,000.00 of HOME Funds to Pear Street Apartments LDHA, LP for the acquisition and rehabilitation of 20 units of affordable housing at 1440 Pear Street, as a 99-year, deferred payment loan at no more than the Applicable Federal Rate of interest at the time of closing, to be repaid if the property is transferred or the use changes from low-income residential within the term of the loan;

RESOLVED, That City Council approve a right of first purchase clause by the City and an equity-sharing clause allowing Pear Street Apartments LDHA, LP to retain 69% of the equity after paying off all liens, and allowing the City to retain 31% of the equity as a condition of the loan;

RESOLVED, That as a condition of loan disbursement, Pear Street Apartments LDHA, LP will execute a 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 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.