



Legislation Text

File #: 18-1266, **Version:** 1

Resolution to Select Equity Investor, Construction Loan and Permanent Mortgage Loan for Swift Lane

The Ann Arbor Housing Commission ("AAHC") is redeveloping Swift Lane located at 3401-3405 Platt Road and 3451-3457 Platt Road ("Platt Site") and 1520 White Street ("White/State/Henry Site"). The properties are currently public housing and will be converted to project-based vouchers under the HUD Rental Assistance Demonstration ("RAD") program. The White/State/Henry site currently has twenty-eight units which will be demolished. The new construction there will include thirty-two units and a community room. The Platt Site has six existing residential units that will be demolished and replaced with the new construction of thirty-two new residential units and a community room.

The project has received site plan approval for both sites from the City of Ann Arbor and is currently working with the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) conversion team to comply with their various closing requirements. The AAHC is partnering with Norstar Development USA, L.P., ("Norstar") Norstar Building Corporation, Mitchell and Mouat Architects (Platt Site) and Fusco Shaffer Pappas, Inc. (White/State/Henry site) to redevelop the property. Norstar applied for low income housing tax credits in October 2017 whereby the Michigan State Housing Development Authority (MSHDA) A granted a 9% LIHTC award to the redevelopment.

AAHC is public body corporate that cannot utilize tax credits and therefore must form a limited partnership with a limited tax credit equity investor partner through a limited dividend housing association entity as required by both MSHDA and the Internal Revenue Service. Norstar has solicited proposals from equity investors and Norstar recommended that the AAHC select Regions Affordable Housing LLC (formerly known as First Sterling Financial, Inc.) ("Regions") based on the favorable terms of the proposal as outlined in the attached letter and recommendation memo. Regions will invest in the Swift Lane redevelopment by purchasing a collective 99.99% interest in the limited partnership entity that was formed to own and operate the redevelopment. The limited partner will purchase the tax credits for a total approximate purchase price of \$13,677,664 or \$0.92 for each \$1.00 of projected tax credits.

The Swift Lane redevelopment is expected to close with HUD, the construction lender and equity investor in October 2018. Norstar has solicited proposals for a construction loan and permanent mortgage loan and recommends JPMorgan Chase Bank, N.A. for the construction loan and Cinnaire Investment Corporation for the permanent mortgage loan.

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

WHEREAS, the AAHC was awarded low-income housing tax credits from the IRS through MSHDA to redevelop the Swift Lane sites; and

WHEREAS, the AAHC is a public body corporate ~~tax-exempt organization~~ and cannot utilize tax credits and therefore must form a limited partnership with an equity partner through a limited dividend housing association as required by both MSHDA and the IRS; and

WHEREAS, the AAHC hired Norstar as our development partner. Norstar has solicited proposals from equity investors and recommends that the AAHC select Regions based on the favorable terms of the proposal as outlined in the attached letter of intent and recommendation memo; and

WHEREAS, Norstar has solicited proposals from construction lenders and recommends that AAHC select JPMorgan Chase Bank N.A. based on the terms of the proposal as outlined in the attached Letter of Intent; and

WHEREAS, Norstar has solicited proposals from mortgage lenders and recommends that AAHC select Cinnaire Investment Corporation based on the terms of the proposal as outlined in the attached Letter of Intent; and

NOW THEREFORE BE IT RESOLVED THAT, the AAHC Board approves the selection of Regions as the equity partner for the redevelopment at Swift Lane redevelopment and authorizes the Executive Director to take any necessary administrative actions and to execute any documents necessary to complete this transaction and implement this resolution.

NOW THEREFORE BE IT RESOLVED THAT, the AAHC Board approves the selection of JPMorgan Chase Bank N.A. as the construction lender for the redevelopment of Swift Lane and authorizes the Executive Director to take any necessary administrative actions and to execute any documents necessary to complete this transaction and implement this resolution.

NOW THEREFORE BE IT RESOLVED THAT, the AAHC Board approves the selection of Cinnaire Investment Corporation as the permanent mortgage lender for the redevelopment at Swift Lane and authorizes the Executive Director to take any necessary administrative actions and to execute any documents necessary to complete this transaction and implement this resolution.