



Legislation Text

File #: 22-0737, **Version:** 1

Resolution to Approve the Development Agreement Terms with Avalon Housing (or an Affiliated Entity) to Co-Develop 121 E. Catherine with the Ann Arbor Housing Development Corporation (or an Affiliated Entity)

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. These resolutions express a desire for the developments 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 AAHC issued a Request for Proposal ("RFP") (AAHC-21-A) in November 2021 to hire a co-developer. On February 16, 2022 the AAHC Board approved Avalon Housing Inc., or an Affiliated Entity as the Co-Developer of 121 E. Catherine St. and directed the Executive Director to negotiate terms with Avalon in a Development Agreement. Because the fee will be more than \$250,000 the AAHC Board must approve the fee structure.

The Executive Director, Jennifer Hall, and the AAHC's attorney, Rochelle Lento of Dykema Gossett have negotiated the following terms with Avalon staff and Avalon's attorney:

- The managing general partner or managing member shall be an entity comprised of an AAHDC affiliate and Avalon affiliate
 - AAHDC 51%
 - Avalon 49%
- Developer fee split (and any deferred developer fee)
 - 25% AAHDC
 - 75% Avalon
- A pre-development budget through closing on construction financing and transfer of ownership of the property
 - \$800,000 to include Architect, Engineer, Survey, Appraisal, Market Study, Green Consultant, Environmental Studies, Zoning Fees, LIHTC fees, Title Work, Transportation Study, Legal, and Other Consultants
- Source of pre-development budget funds
 - City of Ann Arbor Affordable Housing Millage already allocated by the City of Ann Arbor to the Ann Arbor Housing Commission in the FY22 Budget
- Guarantees by Avalon or Affiliated Entity
 - Lien-free construction completion guaranty
 - Development deficit guaranty

- Guarantees by AAHDC or Affiliated Entity
 - Tax credit recapture guaranty
 - Operating deficit guaranty

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

WHEREAS, The AAHC issued a Request for Proposal ("RFP") (AAHC-21-A) in November 2021 to hire a co-developer and the AAHC Board approved Avalon Housing Inc. or an affiliated entity as the co-developer; and

RESOLVED, The Board of the Ann Arbor Housing Commission approves the following terms in the Development Agreement with Avalon Housing Inc., or an Affiliated Entity:

- The managing general partner or managing member shall be an entity comprised of an AAHDC affiliate and Avalon affiliate
 - AAHDC 51%
 - Avalon 49%
- Developer fee split (and any deferred developer fee)
 - 25% AAHDC
 - 75% Avalon
- A pre-development budget through closing on construction financing and transfer of ownership of the property
 - \$800,000 to include Architect, Engineer, Survey, Appraisal, Market Study, Green Consultant, Environmental Studies, Zoning Fees, LIHTC fees, Title Work, Transportation Study, Legal, and Other Consultants
- Source of pre-development budget funds
 - City of Ann Arbor Affordable Housing Millage already allocated by the City of Ann Arbor to the Ann Arbor Housing Commission in the FY22 Budget
- Guarantees by Avalon or Affiliated Entity
 - Lien-free construction completion guaranty
 - Development deficit guaranty
- Guarantees by AAHDC or Affiliated Entity
 - Tax credit recapture guaranty
 - Operating deficit guaranty

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