



## Legislation Text

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File #: 23-0315, Version: 1

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### Resolution to Transfer Ownership of 121 E. Catherine to the Ann Arbor Housing Development Corporation (\$1.00) **(8 Votes Required)**

The Ann Arbor Housing Commission (AAHC) is requesting City Council approval to transfer ownership of 121 E Catherine to the Ann Arbor Housing Development Corporation (AAHDC), a 501 (c)(3) nonprofit corporation created by the AAHC, for \$1.00.

In 2019, City Council approved a resolution (R-19-514), directing the AAHC to develop 121 E. Catherine as affordable housing. The AAHC conducted several years of community engagement with SmithGroup and YMJ & Associates; issued a Request for Proposal for a co-developer and selected Avalon Housing; hired Landon, Bone, Baker architects; Macon engineering; O'Neal construction as the general contractor; Elevate as the green design consultant and DMC Real Estate Services as a development consultant. The AAHC has conducted site due diligence including a survey, title search, geo-tech, market survey and environmental testing. A site plan has been submitted to City Planning Services and will be submitted to the Planning Commission after the staff review is completed.

The project includes a ~64,000 square foot L-shaped, 6-story mixed-use building that includes approximately 62 1-bedroom apartments and 1 2-bedroom apartment with tenant community space, staff offices, and shared laundry. All the residential units will be affordable to households with incomes at or below 60% of Area Median Income (AMI). Half of the apartments (32) will be targeted as supportive housing for households with incomes at or below 50% AMI. Avalon Housing will be the on-site service provider and will collaborate with other community services providers. The remaining apartments will include a preference for low-income people who are involved in artistic or literary activities, which is specifically allowed as a preference under the Low-Income Housing Tax Credit Program. ArtSpace, a national organization that develops housing for artists, is providing consulting to the team.

The ground floor includes ~2,000 square feet for community/cultural/entrepreneurial space. The team is working with YMJ & Associates and a Community Leadership Council (CLC), whose members include former Black residents of the neighborhood, Black artists, and other Black community leaders. The CLC is co-creating a space to honor the unique history of the site, and the Black and Brown people who lived and worked there.

The primary source of funding for affordable housing development is the Low-Income Housing Tax Credit (LIHTC) Program. The Internal Revenue Service (IRS) requires the AAHDC to form a limited partnership or limited liability company with an equity investor to finance the development of these properties with LIHTC. The AAHDC will own the land and the AAHDC will execute a long-term ground lease with the limited partnership or limited liability company for the improvements (buildings). The AAHDC and Avalon will both be members of the limited liability company or limited partnership that is formed.

The total development budget is ~\$28 million. The project team will be applying for LIHTC funding

from MSHDA in the April 3, 2023 funding round. The team is also applying for HOME and Brownfield funds from the County, DDA funds, and Federal Home Loan Bank funds. The team is also exploring 501(c)(3) bond financing. Affordable Housing Millage funds will be used for gap funding.

The AAHC is requesting that the City convey the property to the Ann Arbor Housing Development Corporation by quitclaim deed for \$1.00. The AAHDC will record a Declaration of Restrictive Covenant or deed restriction that ensures that the housing will be permanently affordable to households whose income is at or below 60% of the Area Median Income and that the first floor space will be used for a public purpose. The City will reserve any necessary public access or utility easement rights. The transfer will not occur until a National Environmental Policy Act (NEPA) Environmental Review is completed and a site plan has been approved.

Prepared By: Jennifer Hall, Executive Director, Ann Arbor Housing Commission

Reviewed By: Kevin McDonald, Chief Deputy City Attorney

Approved By: Milton Dohoney Jr., City Administrator

Whereas, In 2019, City Council approved a resolution (R-19-514), directing the AAHC to develop 121 E. Catherine as affordable housing;

Whereas, the Ann Arbor Housing Commission (AAHC) has conducted due diligence and a site plan with 63 residential units has been submitted to the City Planning Services and the site plan will be submitted to the Planning Commission after the staff review is completed;

Whereas, the AAHC is requesting that the City transfer ownership to the AAHC's 501(c)(3) nonprofit corporation, the Ann Arbor Housing Development Corporation (AAHDC), for \$1.00;

Whereas, the AAHDC will ground lease the improvements to a legal entity that will be formed as required by the IRS, under the Low-Income Housing Tax Credit program, and the AAHDC will be a member of that new legal entity; and

Whereas, The AAHDC will record a declaration of restrictive covenant or deed restriction that ensures that the housing will be permanently affordable to households whose income is at or below 60% of the Area Median Income and that the first floor space will be used for a public purpose;

RESOLVED, That City Council approve the transfer of ownership of the property commonly known as 121 E. Catherine, and further described as:

Lot 27, Assessor's Plat No. 29, as recorded in Liber 29 of Plats, Page 20, Washtenaw County Records (Tax I.D. No. 09-09-29-135-001)  
to the Ann Arbor Affordable Housing Corporation for \$1.00:];

RESOLVED, That City Council approves the transfer of ownership of 121 E. Catherine to the AAHDC by quitclaim deed contingent on: 1) the AAHDC receiving site plan approval, 2) completion of a National Environmental Policy Act (NEPA) Environmental Review, 3) the reservation of any necessary public access or utilities easements as determined by the Public Services Area Administrator, or the subsequent granting of such easements to the City by the AAHDC, and 4) a deed restriction or declaration of restrictive covenant ensuring that the housing will be permanently affordable to households whose income is at or below 60% of the Area Median Income and that the first floor space shall be used for a public purpose;

RESOLVED, That City Council finds, upon the recommendation of the City Administrator, that a fair market value appraisal for this transfer is unnecessary because the property shall be used for the public purpose of providing affordable housing and other public uses, and shall be restricted to these uses by the AAHDC;

RESOLVED, That the Mayor and City Clerk are authorized to sign a quitclaim deed, subject to approval as to substance by the City Administrator, and approval as to form by the City Attorney, and to take any other action necessary to complete the transfer of property in accordance with Ann Arbor City Code; and

RESOLVED, That the City Administrator be authorized to take any necessary administrative actions to complete this transaction.