

AGENDA

ANN ARBOR HOUSING DEVELOPMENT CORPORATION REGULAR MEETING

September 19, 2024

Meeting Time: 6:30 pm
Location: Virtual on Zoom

Meeting Link: Join Zoom Meeting
<https://a2gov.zoom.us/j/93197745815?pwd=a2FRd0ZGNXVLS1BuVG9XY2FTVDNZdz09>

Meeting ID: 931 9774 5815
Passcode: 266477

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- I. APPROVAL OF AGENDA
- II. APPROVAL OF MINUTES
 - A. Regular Board Meeting Minutes of August 23, 2024 via EMAIL
- III. NEW BUSINESS
 - A. Resolution 24-25 Approval of \$500,000 grant to Avalon Housing to develop Hickory Way III and \$198,000 for the first year of supportive services from the Affordable Housing Millage
 - B. Resolution 24-26 Approval of \$500,000 loan to Lockwood to develop 3695 S. State Street, conditioned on funding availability in FY26
 - C. Further discussion of Arbor South Development Letter of Intent and Partnership
- IV. ADJOURNMENT

MINUTES

ANN ARBOR HOUSING DEVELOPMENT CORPORATION REGULAR MEETING

August 23, 2024

Meeting Vote by EMAIL

Board Members voting: Boer, Hall, Dr. Meadows, Batalonga, Dr. Daniels, Jenkins and Weber

Board Members not voting: None

I. NEW BUSINESS

- A. Resolution 24-24: \$3 million loan to The Annex Group for the Union @ A2 at 2050 Commerce Drive

Vote by email 7-0 (Boer, Hall, Dr. Meadows, Batalonga, Dr. Daniels, Jenkins and Weber)

SCORING SUMMARY		POINTS	THE ANNEX GROUP - 2050 Commerce Drive	LOCKWOOD - 3695 State	Avalon - Hickory Way III S Maple
Leveraging	Millage request as a % of total development costs	20.0	20.00	18.00	20.00
	Donated land/buildings, long-term nominal lease terms, and/or project based operating subsidies	10.0	0.00	0.00	7.00
Capacity	Development team experience	20.0	18.00	20.00	20.00
	Non-profit developer (majority owner and majority developer fee)	10.0	0.00	0.00	10.00
Readiness to Proceed	Realistic development plan and construction within 9 mos of application	20.0	20.00	7.00	7.00
Income Targeting	30% AMI income target for more than 15% of total units	10.0	7.00	0.00	10.00
Sustainability	Extent of sustainability above threshold standard	10.0	8.00	8.00	10.00
TOTAL		100.0	73.00	53.00	84.00

Development Information

Cover Sheet (Form H)

Applicant Information

Organizational chart

Debarments/Bankruptcies

Project Information

Project narrative

Rent plan

Schematic drawings

Market study

Community engagement

Property Information

Description

Appraisal or other property studies

Engineering, environmental, remediation, etc.

Yes

Yes

YES provided, not applicable

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Yes

Provided, not applicable

Yes

Yes

Yes

Yes

Only done planning commission meeting

66 units

Not included

Not complete

Yes

Yes

Submitted, one loan default

Yes

Yes

Yes

Yes

Yes

39 units

Yes

Yes

<u>Financial Information</u>			
2 years audited financial statements	Yes	Yes	Yes
Development budget sources and uses	Yes	Yes	Yes
Operating pro forma (minimum 15 years)	Yes	Yes	Yes
Resident services 5-year operating budget	n/a	N/A	Yes
<u>Other Notes</u>			
Threshold Requirements			
<u>Ineligible Units</u>	n/a	None	None
<u>Income Restrictions</u>	Yes (18% of units below 30% AMI)	Average 60% AMI	All units at or below 60% AMI
<u>Affordability Covenant</u>	agreed to	Not included	Yes
<u>Site Control</u>	Deed	Need PUD approval; purchase agreement executed May 2024	Purchase agreement
<u>Floodplain/Floodway</u>	n/a	N/A	N/A
<u>Environmental (Phase I ESA)</u>	Yes	Not complete	Need updated Phase I
<u>Energy Efficiency Measures</u>	yes	Pursuing Enterprise Green	Yes
<u>Other Notes</u>			
Leveraging			
Millage request as a % of total development costs (20 points)	20.0	18.0	20.0
<u>Millage request</u>	\$3,000,000 (3.8% of total development costs)	7% (\$1.5 million out of \$22.8 million)	\$500,000 (4% of TDC)
Documentation of other funding	MSHDA 4%/bond + MSHDA grants and loans Principal amount of all MSHDA Soft Funds \$14,894,672 LIHTC Equity \$22,427,491 Income from Operations \$983,728 GP Capital Contribution \$100 Deferred Developer Fee \$1,168,009	MSHDA 4% bond deal LIHTC equity - \$9M MSHDA Perm Loan - \$7.6M MSHDA Gap - \$3.7M Loan with 40-year term and 1% interest, payable out of surplus cash flow (after senior debts, deferred	HOME \$197,765 approved LIHTC \$14,188,581 to be requested FHLBI AHP \$750,000 requested CoC Builds \$1,567,838 to be requested TDC = \$17,204,285
Donation, lease terms, and/or operating subsidies (10 points)	0.0	0.0	7.0

<u>Donated land/buildings</u>	none	No	No
<u>Long-term nominal lease terms</u>	n/a	No	Yes
<u>Project based operating subsidies</u>	n/a	No	20 PBV units
<u>Other Notes</u>			
Capacity			
Development Team Experience (20 points)	18.0	20.0	20.0
<u>Team</u>	developer TAG	Lockwood is GC; HDJ arch	
Partner Entity/s (if applicable)	architect BKV Group, GC TAG, prop mgr TAG		O'Neal, GC; Fusco, Shaffer & Pappas, Inc., architect; Macon, civil engineering
<u>Experience</u>			
Affordable Housing Experience	Yes	Yes	Yes
Similar Projects	Yes, but 1st 4% in MI	Yes	Yes
<u>Other Notes</u>			
Non-profit developer (10 points)	0.0	0.0	10.0
<u>Majority owner/majority developer fee</u>	n/a	\$1 million deferred dev fee	Yes 100%
<u>Other Notes</u>			Non profit developer
Readiness to Proceed			
Realistic development plan (20 points)	20.0	7.0	7.0
<u>Timeline (construction within 9 months of application)</u>	Construction starting 8/31/24, completion 10/1/26	Closing on financing May 2025, opening summer 2027	Closing & construction start anticipated August 2025
<u>Other Notes</u>			
Income Targeting			
30% AMI for more than 15% of total units (10 points)	7.0	0.0	10.0
<u>Income targeting</u>		66 units averaging 60% AMI	
30% AMI or below	45 units (18%)		20 units (51% of total), PSH
31-60% AMI	73 units (29%)	8 units 50% AMI	19 units (49% of total) at 50% and 60% AMI
61-80% AMI	132 units (53%) at 70% AMI	51 units 60% AMI, 7 units 70% AMI	
81% AMI or above	0		
<u>Other Notes</u>			

Sustainability			
Extent of sustainability above threshold standard (10 points)	8.0	8.0	10.0
<u>Sustainability features</u>	not a lot of details	Pursuing Enterprise Green	NGBS Silver/Green + Zero Energy
<u>Other Notes</u>	MSHDA requires USGBC LEED, NGBS, or Enterprise		
MISC NOTES:			Also requesting \$198,000 in millage funds for first year of services in January 2027

R-24-25

Ann Arbor Housing Development Corporation

August 19, 2024

Resolution to Approve a \$500,000 Affordable Housing Millage Grant with Avalon Nonprofit Housing Corporation or an Affiliated Entity to Develop Hickory Way III at 1146 S. Maple Road, Ann Arbor MI 48103 and \$198,000 in Supportive Services Funding

The Ann Arbor Housing Development Corporation through the Ann Arbor Housing Commission issued a Request for Proposal for affordable housing millage funds and received 3 responses. After reviewing the 3 responses, Avalon Housing’s application for \$500,000 for the development of Hickory Way III had the highest score of 84/100 points.

Hickory Way III is a one (1) acre parcel at 1146 S. Maple Road, directly adjacent to Avalon’s existing Hickory Way I and II developments. HWA III will consist of a single, four-story building with 39 one-bedroom units, along with an elevator and community space. Fifteen (15) units will be targeted to households at or below 60% of area median income. Twenty-four (24) units will be targeted to households at or below 50% of area median income. Twenty of these 50% units will be supportive housing and further targeted to households who have incomes below 30% of AMI. Referrals for the supportive housing units will come directly from the County's central wait list for homeless households, Housing Access of Washtenaw County (HAWC).

HWA III Rent Schedule – all 1 bedroom units

AMI	Total Units	Bedroom Size	Rent
30% AMI Supp Housing with project-based vouchers	20	1 br	\$1480
50% AMI units	4	1 br	\$600
60% AMI units	15	1 br	\$600
Total	39		

Avalon is applying for a 9% Low Income Tax Credit award in the October 2024 MSHDA funding round. If awarded, construction would begin in 2025 and lease up would occur in early 2027.

The total development budget is \$17,204,285. Following are the anticipated funding sources:

- \$197,765 HUD HOME funds through Washtenaw County (awarded)
- \$750,000 Federal Home Loan Bank (application November 2024)
- \$14,188,581 Low Income Housing Tax Credits (application October 2024)

- \$1,457,839 HUD Continuum of Care Builds NOFO (application November 2024)
- \$500,000 Request for City of Ann Arbor Affordable Housing Funds

Avalon is applying for LIHTC through the permanent supportive housing category. Consequently, they must identify the funding source for their services funding. Avalon is requesting \$198,000 in City affordable housing millage funds for the first year of services. If Hickory Way III is developed with affordable housing millage funds it will be eligible to request services funding annually, subject to budget availability.

Services include peer support, a community builder and resident support staff, and the necessary professional and back-office staff. Supportive housing services are grounded in a housing first philosophy, and focus on maintaining housing stability as well as enhancing tenants' quality of life. Eviction prevention efforts for high-risk tenants are prioritized and coordinated with property managers.

The supportive housing services are voluntary, highly individualized and flexible based on tenant need. Services include outreach and engagement, referral and advocacy, community building, and a range of direct supports designed to address tenant behaviors that may threaten their housing. Common services provided include support for mental health management, relapse prevention, independent living skills, advocacy around benefits and health care, conflict resolution, and assistance with basic needs such as food. Support services for Hickory Way Apartments Phase III tenants are not time limited and will vary in frequency and intensity as needed throughout their tenancy.

HWA III's community space will provide a range of programs and activities designed to help tenants build skills, develop tenant organizations, foster peer support and connect with volunteers and community services.

RESOLVED, That the Ann Arbor Housing Development Corporation approves a grant from the Affordable Housing Millage for \$500,000 to Avalon Nonprofit Housing Corporation, or an affiliated entity to develop Hickory Way III at 1146 S. Maple Road, Ann Arbor;

RESOLVED, That the Ann Arbor Housing Development Corporation approves a grant for \$198,000 to Avalon Nonprofit Housing Corporation, or an affiliated entity for the first year of resident supportive services at Hickory Way III, with eligibility to request annual services funding;

RESOLVED, That the Secretary-Treasurer be authorized to take any necessary action to implement this resolution.

R-24-26

Ann Arbor Housing Development Corporation

August 19, 2024

Resolution to Approve a \$500,000 Loan with 3695 State LDHA LP or an Affiliated Entity to Develop 3695 State Street, Ann Arbor MI 48104 as Affordable Housing

The Ann Arbor Housing Development Corporation through the Ann Arbor Housing Commission issued a Request for Proposal for affordable housing millage funds and received 3 responses. Lockwood Development’s score was the 3rd highest with 53/100 points. There are not enough funds in the FY25 budget to allocate funds to Lockwood to develop 3695 State LDHA LP, however, the project is a worthy project to support. Staff are recommending a \$500,000 loan from the FY26 affordable housing millage budget.

The development includes 66 units on a 1.43 acre site, on the east side of State Street, south of I-94. The project will have an income average of 60% AMI with the following income targets and unit sizes:

Unit Type	APARTMENT UNIT MIX											
	70% AMI			60% AMI			60% High HOME			50% Low HOME		
	# of Units	Rent	Utility Allowance	# of Units	Rent	Utility Allowance	# of Units	Rent	Utility Allowance	# of Units	Rent	Utility Allowance
One Bedroom/One Bathroom	6	\$1,453	\$ 115	24	\$1,229	\$ 115	8	\$ 1,119	\$ 115	6	\$ 1,005	\$ 115
Two Bedroom/Two bathroom	1	\$1,730	\$ 153	15	\$1,461	\$ 153	4	\$ 1,318	\$ 153	2	\$ 1,192	\$ 153

Lockwood is applying for 4% Low Income Housing Tax Credits & Bond Financing through MSHDA as well as MSHDA loans. The anticipated funding sources are below:

Total Project Cost and Financing

The total development cost is \$22.8 million. The permanent funding sources consist of:

- a) LIHTC Equity - \$9 million
- b) MSHDA Permanent Loan - \$7.6 million
- c) MSHDA Gap Financing - \$3.7 million
- d) Deferred Developer Fee - \$1 million
- e) Ann Arbor Housing Commission - \$1.5 million (Requested)

Lockwood requested \$1.5 million in affordable housing funds, however, there is not enough funding available to allocate the full \$1.5 million at this time. Jennifer Hall talked to the owner and will continue having conversations over the next 6-9 months about what their financial gap is and whether additional funding can be awarded in the future. The project is still going through site plan approval, which can impact the projected budget. The developer will also be applying to Washtenaw County for HOME funds, which would help close the funding gap.

Lockwood will be required by MSHDA to commit to at least a 30-year affordability period and they have agreed to a 99-year affordability period for at least 15% of the units to comply with the City's permanent affordability requirement. Lockwood will work with the AAHDC and MSHDA to agree to loan repayment terms, including pari passu loan repayment with MSHDA, where the AAHDC & MSHDA will receive loan payments that are equivalent to the % of our investments, rather than paying off MSHDA first and then the AAHDC second. The proposed interest rate is a 1% simple annual interest, paid from 50% of cash-flow, similar to what was negotiated with MSHDA and the Annex Group for the Union @ A2 development.

The community spaces will include a commercial-grade fitness center, a community lounge space with coffee bar and business center. Other project amenities include dedicated resident storage lockers and bike storage stations. Ample parking surrounds the outside of the building. The development will have a robust amenity package including a secure gated parking lot with EV chargers available.

RESOLVED, That the Ann Arbor Housing Development Corporation approves a FY26 affordable housing millage loan for \$500,000 to 3695 State LDHA LP or an Affiliated Entity to develop an affordable housing project as described above with a 1% simple annual interest paid pari passu with MSHDA from 50% of cash-flow, upon approval of MSHDA;

RESOLVED, That the Secretary-Treasurer be authorized to take any necessary action to implement this resolution.

Arbor South New Proposal

- The owner, Oxford and partners, is requesting brownfield TIF financing from the city to pay for infrastructure and parking decks
- The brownfield TIF policy requires the owner to provide either 15% affordable housing (about 150 units at 60% of Area Median Income) or a cash-in-lieu of affordable units of approximately \$10 million
- Rather than the owner (Oxford), developer (Crawford Hoying) and the AAHC forming a joint venture to develop the affordable housing and jointly own the affordable housing, managed by Oxford...
- The AAHC will own and manage the affordable housing units
- Arbor South will donate the land that the affordable housing will be built on, and the value of the development process (zoning, site plan, architectural design, engineering) and the value of construction loan guarantees to the AAHC ~ the equivalent of \$10 million in value
- The developer will take on the responsibility and liability of a construction loan and after the project is built, the AAHC will purchase the building (minus the \$10 million developer contribution)
 - o The AAHC will work with the developer to secure permanent financing such as Fannie, Freddie or HUD financing to make it eligible for a PILOT of \$1/unit/year
 - o The AAHC will secure any additional gap financing needed
- The AAHC will have access to financial documents, construction costs etc throughout the development process
- The AAHC will determine the final design, with finishes consistent with the rest of the development
- The AAHC will determine the final unit mix and internal common area spaces
 - o The AAHC affordable units will include at least 150 apartments and likely closer to 200 apartments
 - o The AAHC units will be affordable to households up to 60% AMI
- The affordable building will be designed so that it can be split from the larger parcel and still meet all of the city's zoning and building requirements
- The AAHC may decide, at its discretion, to contract with Oxford for exterior maintenance such as snow removal and landscaping to take advantage of economies of scale
- The AAHC affordable units will be a stand-alone, fee simple ownership, not a site condo