

AGENDA
ANN ARBOR AFFORDABLE HOUSING CORPORATION
REGULAR MEETING
July 28, 2020

Meeting Time and Location: **7:30pm**
Zoom Meeting

- I. APPROVAL OF AGENDA

- II. NEW BUSINESS
 - A. Resolution 20-1 to approve the By-Laws, Articles of Incorporation, and Board Membership
 - B. Resolution 20-2 to approve the Annual Election of Officers to the Board
 - C. Resolution 20-3 to approve the Acquisition of Lurie Terrace

- III. ADJOURNMENT

RESOLUTION FY20-1 AAAHC

Resolution to Adopts the Articles of Incorporation, By-Laws, and Board Membership

WHEREAS, The Ann Arbor Housing Commission, through its Board of Directors, being the sole member (“AAHC”) of Ann Arbor Affordable Housing Corporation, a Michigan non-profit corporation (the “Corporation”), pursuant to the Michigan Nonprofit Corporation Act, being 1982 PA 162, approved the creation of the Ann Arbor Affordable Housing Corporation, its Articles of Incorporation, its By-laws, and its Board Members at its Board meeting on July 28, 2020; and

RESOLVED, The AAAHC hereby adopts the Bylaws, attached as Exhibit A, as the Corporation’s Bylaws.

RESOLVED, The AAAHC hereby acknowledges that the Articles of Incorporation of the Corporation (the “Articles”), attached as Exhibit B, were executed on March 23, 2020 by Rochelle E. Lento as the Incorporator, and that the Articles were accepted for filing by the Michigan Department of Licensing and Regulatory Affairs on March 25, 2020 and approves the Articles of Incorporation in the current form.

RESOLVED, The AAAHC hereby (a) designates that the number of directors on the Board of Directors of the Corporation shall be seven and (b) appoints the following individuals to be the members of the Board of Directors of the Corporation, with each to serve until his or her successor shall be duly elected and qualified, or until his or her resignation or removal: Dr. Lee Meadows, Thierry Batalonga, Patricia Jenkins, Samuel Bagenstos, Dr. Steven Daniels, Jennifer Hall

RESOLVED, This Written Consent provides retroactive approval to March 23, 2020 for the actions of the Incorporator, the filing of the Articles, the ratification of the Bylaws and approval of the initial Board of Directors.

RESOLUTION FY20-2 AAAHC

Resolution to Elect the Board Officers of President, Vice President and Secretary-Treasurer

The Ann Arbor Affordable Housing Corporation will hold a regular annual meeting of the Board in May or as soon as feasible thereafter, for the purpose of electing officers, passing upon reports of the previous fiscal year, and transacting such other business as may be properly brought before the meeting. The Board must elect 3 officers: President, Vice President, and Secretary-Treasurer. The President and Vice President must be members of the Ann Arbor Housing Commission Board but the Secretary-Treasurer does not.

Section 1. President. The President:

- (a) Shall be the principal executive officer of the Corporation, shall supervise and control all of the business and affairs of the Corporation, and unless otherwise determined by the Board, shall preside at all meetings of the Board;
- (b) May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed on behalf of the Corporation, except in cases in which the signing and execution thereof shall be expressly delegated by the Board, or by these Bylaws, to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and
- (c) Shall in general perform all duties incident to the office of the president and such other duties as may be prescribed by the Board from time to time.

Section 2. Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him or her by the Board.

Section 3. Secretary-Treasurer. The Secretary-Treasurer shall:

- (a) Keep the minutes of the meetings of the Member and the Board in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and have general charge of the books of the Corporation;
- (d) Keep a register of the names and mailing addresses of all directors and officers;
- (e) Keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copies shall always be open to the inspection of the Member and any director), and at the expense of the Corporation, forward a copy of the Bylaws and of all amendments thereto to each director;
- (f) Have charge and custody of and be responsible for all funds of the Corporation;
- (g) Be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks, trust companies or other depositories, as shall be selected in accordance with the provisions of these Bylaws; and

(h) In general, perform all the duties incident to the office of Secretary and the office of Treasurer, and such other duties as from time to time may be assigned to him or her by the Board.

Officer Compensation. Officers shall receive no salary for their services, except that any officer of the Corporation that performs legal services for the Corporation may receive reasonable compensation for such services rendered. Otherwise, no officer shall receive compensation for service to the Corporation in any other capacity, nor shall any close relative of an officer receive compensation for serving the Corporation. The term “close relative” as used in this Section shall mean any brother or sister of any officer, the forebears and descendants of an officer or any such brother or sister, and any spouse of an officer or of any aforesaid person.

WHEREAS, The Ann Arbor Affordable Housing Corporation at its annual meeting must elect the positions of President, Vice President and Secretary-Treasurer; and

NOW THEREFORE BE IT RESOLVED THAT, the Ann Arbor Affordable Housing Corporation Board appoints the following Board member positions.

Motion by _____ seconded by _____

to appoint _____ for Board President

Motion by _____ seconded by _____

to appoint _____ for Board Vice President

Motion by _____ seconded by _____

to appoint _____ for Board Secretary/Treasurer

RESOLUTION FY20-3 AAAHC

Resolution to Approve the Purchase Agreement for the Acquisition & Renovation of Lurie Terrace

The non-profit entity Senior Citizen Housing of Ann Arbor (SCHAA), owns and manages Lurie Terrace, comprised of 2 separate buildings on the same site. The Lurie Terrace tower portion is an 8-story 132-unit apartment tower built in 1964. A 4-unit 2-story building built in 1950 is adjacent to the tower for a total of 136 apartments reserved for senior households aged 62 years or older. The tower property was originally built and financed through a HUD Section 202 program for seniors. The property has continuously provided below market-rate rental housing for seniors since 1964, even though it is no longer restricted by a HUD use agreement. There are 84 efficiencies, 46 1-bdr and six 2-bdr apartments ranging from \$431/mo to \$1,246/mo.

The board of SCHAA reached out to the City of Ann Arbor and the Ann Arbor Housing Commission to purchase the property and continue to operate it as below-market rental housing for seniors. The Ann Arbor Housing Commission (AAHC), as the affordable housing entity for the City, created a new non-profit entity called the Ann Arbor Affordable Housing Corporation (AAAHC), to acquire and continue to manage the property as below-market rate rental housing for seniors aged 62 and older.

Lurie Terrace has never had and does not currently have any regulatory requirements related to income or rent restrictions. The AAAHC will execute a deed restriction that does the following: limits the age of residents to 62 years or older, limit the income of new tenants (40% of all tenants will be limited to 60% of Area Median Income or less and 60% of all tenants will be limited to 80% of Area Median Income or less), and grandfather in all existing tenants regardless of income. The AAHC will continue the tenancy of all the residents upon acquisition at their current rent rates. Rents will be adjusted annually based on normal operational cost adjustments. The vast majority of tenants are on fixed incomes and their incomes are below 60% of AMI.

The parties agreed to a purchase price of \$4,050,000, based on the appraised value of an age- and income-restricted property. The market appraised value without any restrictions was \$7,800,000.

The AAAHC is applying for a HUD-insured 223(f) loan for the maximum amount supported by the current rent revenues, which is estimated to be \$4,017,400. The total development cost is estimated to be \$5,336,400 based on the addition of soft costs such as legal, environmental testing, and reserves as well as approximately \$60,000 in renovations. The total development costs are dependent on the interest rate that gets locked in at the time that HUD approves the loan. If the interest rates continue to drop, the amount that can be borrowed will increase and the amount of grant funding needed will decrease. If the interest rates increase, then the borrowed amount will decrease and the amount of grant funding will increase. All leveraged grant funding must be committed/secured at the time of the HUD application.

The gap between the loan amount of \$4,017,400 and the current estimated total development costs of \$5,336,400 is \$1,319,000. The AAHC secured \$31,950 from the Ann

Arbor Area Community Foundation (AAACF) to pay for pre-development costs. The FY21 City Council budget included an allocation to the AAHC of \$940,000 from the mental health millage, and within that \$940,000 the AAHC intended on utilizing \$319,000 to acquire Lurie Terrace and \$136,000 for activities related to the development of city-owned properties. The AAHC will allocate \$56,000 from the \$136,000 budget for the development of city-owned projects toward the Lurie Terrace acquisition for a total of \$375,000 in the AAHC's budget for the acquisition of Lurie Terrace, which would leave \$80,000 for activities related to the development of city-owned properties.

The property currently receives a senior and disabled tax exemption where the State of Michigan pays the property taxes to the City of Ann Arbor. As long as the property continues to be owned by a non-profit entity and continues to exclusively house seniors aged 62 and older, it will continue to qualify for this tax exemption. The State of Michigan paid \$91,109.16 in property taxes to the City in 2019.

Lurie Terrace is the only property owned and managed by SCHAA and the staff who work at Lurie Terrace are the only staff SCHAA has. At the time the property transfers ownership to the AAHC, the SCHAA staff will be terminated as employees of SCHAA. The goal is to have the property management and maintenance staff hired prior to the transfer of ownership with a start date on the day the property is transferred, so that there is a seamless transition for staff and tenants. Lurie Terrace currently has 2 maintenance and 3 property management staff. The AAHC will work with the City Human Resources Department to determine how the positions fit into the Ann Arbor Housing Commission's current staffing structure and City job descriptions. Then those 5 positions will be posted by HR following normal and customary processes. Union positions must be posted internally for 1 week prior to posting the positions externally, if there are no internal candidates. The AAHC will not have any employees and will contract with the AAHC for staffing and property management. The AAHC is requesting approval of 5 FTE's by City Council in this resolution so that these positions can be hired in a timely manner, in order to start on the day the property is transferred. It is estimated that it will take 8-10 weeks from the time of this resolution for HUD to approve the loan and lock-in the rates, and it will take another 8-10 weeks to close on the loan after HUD approval.

RECITATIONS

WHEREAS, Lurie Terrace currently does not have any income or rent restrictions on the property, although a majority of residents have incomes below 60% of the Area Median Income and rents are below market-rate; and

WHEREAS, The City of Ann Arbor and the Ann Arbor Housing Commission desire to preserve the housing as below-market affordable housing for seniors aged 62 and older; and

WHEREAS, The Ann Arbor Housing Commission created a wholly-owned subsidiary non-profit called the Ann Arbor Affordable Housing Corporation to acquire Lurie Terrace; and

WHEREAS, The purchase price of \$4,050,000 as determined by an independent appraisal plus soft costs, reserves and renovations required by HUD bring the total development costs to an estimated \$5,336,400; and

WHEREAS, The Ann Arbor Affordable Housing Corporation is applying for a HUD-insured 223(f) loan, which has a low-interest rate, favorable underwriting standards, a 35-year term

based on the AAAHC committing to 40% of the units restricted to households at 60% of Area Median Income; and

WHEREAS, The estimated loan amount is \$4,017,400 based on the current interest rate, but the rate will not be locked-in until HUD approves the loan, and therefore the current estimated gap in funding is \$1,319,000 but it may increase or decrease when the HUD interest rate is locked in; and

WHEREAS, The Ann Arbor Housing Commission secured \$31,950 from the Ann Arbor Area Community Foundation, which has paid for due diligence items related to the acquisition including attorney's fees, environmental testing and other soft costs; and

WHEREAS, The Ann Arbor Affordable Housing Corporation will be requesting up to \$1 million from the Ann Arbor Downtown Development Authority to cover the balance of the total development costs; and

WHEREAS, The Ann Arbor Housing Commission will be the property manager for the Ann Arbor Affordable Housing Corporation, which will not have any employees; and

WHEREAS, The Ann Arbor Housing Commission staff are City of Ann Arbor employees and the property currently has 5 property management and maintenance staff that will be terminated by the SCHAA at the time of property transfer and property management and maintenance staff will immediately be needed by the Ann Arbor Housing Commission at time of transfer; and

WHEREAS, The Ann Arbor Affordable Housing Corporation will execute a deed restriction at the time of transfer that does the following: limits the age of residents to 62 years or older, limit the income of new tenants (40% of all tenants will be limited to 60% of Area Median Income or less and 60% of all tenants will be limited to 80% of Area Median Income or less), and grandfather in all existing tenants regardless of income;

RESOLVED, The Ann Arbor Affordable Housing Corporation approves the attached Purchase Agreement (Exhibit A) with Senior Citizens Housing of Ann Arbor based on the attached Appraisal (Exhibit B); and

RESOLVED, The Ann Arbor Affordable Housing Corporation is applying for a HUD-insured 223(f) loan, which has a low-interest rate, favorable underwriting standards, and a 35-year term based on the AAAHC committing to 40% of the units restricted to households at 60% of Area Median Income (Exhibit C); and

RESOLVED, The Ann Arbor Affordable Housing Corporation is requesting \$375,000 from the Ann Arbor Housing Commission toward the acquisition and renovation of Lurie Terrace; and

RESOLVED, The Ann Arbor Affordable Housing Corporation is requesting up to \$1 million from the Ann Arbor Downtown Development Authority to cover the balance of the total development costs; and

RESOLVED, The Ann Arbor Affordable Housing Corporation will contract with the Ann Arbor Housing Commission to provide property management services and will sign a Property Management and Maintenance Agreement (Exhibit D).